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Iraqis seeking repatriation sit in at Tunisian Embassy in Tehran. Tunisia heads Arab League.

EEC Sets Limited Sanctions Against Iran

(Continued from Page 1)

The EEC did not impose sanctions in an interview with four European newspapers published yesterday.

[The New York Times, quoting European diplomats, reported that the Iranian government had recently asked several European ambassadors in Tehran to delay the sanctions, saying that restraint would encourage the new Iranian parliament to free the hostages. Mr. Bani-Sadr's interviews were seen as part of that campaign.]

[In the interview, Mr. Bani-Sadr said that "the parliament will succeed in solving the problem [of the hostages] once it meets," warning that, while Iran could survive the economic effects of a European trade embargo, "politically it would be catastrophic, encouraging anti-American extremists and pushing the country closer to Moscow. Iran is determined to solve the problem of the hostages in an honorable, final and peaceful manner."

Soviet Theft Suspect Avoids Swiss Arrest

BERN, May 18 (AP) — Swiss authorities are investigating the departure of a Soviet interpreter who was to be arrested as a shoplifting suspect. Police said the woman and her fellow delegates to a meeting here left for Moscow today.

The woman, part of a delegation to a meeting of the Universal Postal Union, was stopped in a department store yesterday while trying to steal a blanket, police said.

On Afghanistan, the foreign ministers of Italy, West Germany, France and Britain reported on their individual talks in Vienna last week with Soviet Foreign Minister Andrei Gromyko.

The Middle East discussions focused on the upcoming target date for talks between Egypt and Israel on Palestinian autonomy. Officials said that the EEC would make proposals on this issue at the summit meeting in Venice.

The question whether to participate in the Moscow Summer Olympics also was discussed, but sources said that the nine nations were unable to agree on a stand.

A member of Iran's newly elected parliament said in an interview published yesterday that the majority of deputies in the legislature favored a trial of the U.S. hostages, Ibrahim Yazdi, a former foreign minister, said that Iran also must demand financial compensation for U.S. interventions during the rule of Mohammed Reza Pahlavi, the deposed shah.

Lines at Embassies
TEHRAN, May 18 (Reuters) — Long lines formed outside several Western European embassies this weekend as Iranians rushed to apply for visas following their reintroduction by EEC nations.

Italy, the last EEC member to impose a visa requirement, said today that it was resuming visa regulations tomorrow. The EEC nations began to require visas for travel in part as a protest against the holding of U.S. hostages.

Some EEC diplomats complained that the new system would favor persons who had sent substantial sums of money out of Iran before the revolution. "For those wishing to settle abroad for any period of time, there is a financial requirement, and those who got their cash out before the revolution tend to get preferential treatment," a Western diplomat said.

Soviet Talks With French

(Continued from Page 1)

cent proposal for Afghanistan for a political settlement of the conflict there, a decision by NATO last December to install medium-range nuclear missiles in Western Europe, the appeal last week by the Warsaw Pact nations for a worldwide summit conference, and a Polish call to hold a European conference on detente and disarmament in Warsaw.

[Polish sources said that it was at the request of the French that the meeting was kept a secret. Polish government sources theorized that the French did not want to add extra pressures upon Secretary of State Edmund Muskie of the United States during his meeting with Foreign Minister Andrei Gromyko of the Soviet Union on Friday in Vienna, Mr. Darton reported.]

Those sources who interpreted the Warsaw meeting as a victory for Soviet diplomacy said it was consistent with recent Soviet efforts to split the Western alliance. They recalled the recent meeting of Communist Party leaders in Paris, during which a Soviet representative made it clear that Europe would be ill-advised to support what it sees as an irrational and hawkish administration in Washington.

On Soviet Terms
They said the meeting already marked a Soviet victory because it represented a renewal of high-level contacts between East and West, entirely on Soviet terms.

Western diplomats said that Moscow considers France the most promising target for its brand of detente and the best platform in the West from which to plead its own solutions for a settlement of international tensions.

France has called for the withdrawal of Soviet troops from Afghanistan, and a government spokesman said today that the policy had not changed. At the same time, the Giscard d'Estaing government has insisted that the dialogue between the two nations must be maintained. It has rejected Washington's call for economic sanctions against the Soviet Union and announced last week that French athletes would participate in the Olympic Games in Moscow this summer.

French officials expressed disappointment that Mr. Gromyko, after the ministers' meeting last week, had given no sign of any Soviet willingness to withdraw its troops from Afghanistan soon.

U.S. Aides Say Nearly 1 Million Have Fled Afghanistan Fighting

By Michael Gerler

WASHINGTON, May 18 (WP) — The number of Afghan refugees fleeing the fighting in their country and the continued Soviet occupation is now approaching one million, more than seven percent of the population, U.S. government officials said yesterday.

The officials, using statistics based on refugee registration in Pakistan, said that, as of the beginning of this month, 737,000 Afghans had fled across the rugged 1,400-mile border to Pakistan. Another 100,000 or so are now estimated to be just across the Iranian frontier to the south.

But the number is closer to a million by taking into account the number of refugees who have not been counted — an estimated 10 percent of the total — and those who have fled during the first half of May, the officials said.

The refugee exodus, however, was only part of a status report on the Afghanistan situation that was provided for journalists by officials who under the ground rules of the briefing, may not be identified.

As viewed here, that situation portrays the Russians as facing a dangerous, and probably long-lasting, dilemma in Afghanistan, despite their position of being in obvious military control. The extent of such a dilemma also means, an administration official said, that U.S.-Soviet relations "are also going to be bad for a long time."

Since the Soviet Union sent troops into Afghanistan on Dec. 27, it has not achieved its objectives of pacifying the population, ending the armed resistance or developing popular support for the Moscow-installed government of Babrak Karmal, these officials concluded.

Regime Seen to Weaken

The regime, the officials contend, is weaker and less popular than it was when first installed, and the general political and economic situation in the country is deteriorating.

A continuing feud among rival factions of Mr. Karmal's Peoples Democratic Party is seen here as further paralyzing whatever semblance of national government that exists in the capital of Kabul, and thus strengthening resistance in the countryside to the Moscow-controlled regime.

The Russians have 85,000 troops inside Afghanistan and 30,000 just across the border in the Soviet Union. "But the Soviets," an official said, "have no influence in Afghanistan."

U.S. Raid Seen Lifting Burden of Restraint

Exiles Intensify Bids to Depose Khomeini

By Ronald Koven

PARIS, May 18 (WP) — The abortive U.S. rescue mission in Iran appears to have galvanized the Iranian exile movements in Western Europe into redoubling their efforts to overthrow the Islamic revolutionary regime of Ayatollah Ruhollah Khomeini.

Far from regarding it as a disaster, exile leaders centered here see the failed U.S. operation as having lifted a major weight from their shoulders since they can no longer be reproached by Washington for possibly endangering the hostages' safety and the prospects of a negotiated release.

Intensive efforts are being made here to unify exile groups in France, Britain, West Germany and the United States into a coalition front.

Monarchist Congress
The monarchists, who claim to still command an important following in the armed forces, said they have reached broad agreement to hold an organizing congress in London or Paris within two weeks to form an Iranian national resistance council. Everyone who accepts the principle of the monarchy — with or without the deposed shah — will be invited, except for Shahin Bakhshiar, the premier for 39 days who paved the way for the shah's departure and was forced out of power by Ayatollah Khomeini.

Mr. Bakhshiar has refused to have anything to do with any of the groups, even though he said in an interview that the organizers of the national council had offered to make him its chief. He dismisses them as corrupt and discredited.

The royalists claim that a number of internal and external opponents were spontaneously rallied to the principle of the monarchy because the revolts by various ethnic minorities against Ayatollah Khomeini's Islamic republic have undermined that Iran was a federation of peoples that needed a symbol of national unity to hold together.

Princess Azadeh, 29, the niece of the shah and the political leader of a young officers' movement called Free Iran, said that one of the first tasks of a national resistance council would be to ask the deposed shah, Mohammed Reza Pahlavi, to declare whether he intends to abdicate in favor of one of his two sons or to appoint a regency council. This, she implied, would give the monarchists the new image they need to serve as a rallying force.

She and other monarchists claim that a number of republicans, especially from the National Front of the late premier, Mohammed Mosaddegh, have agreed that the final form of the new regime be determined by a referendum vote, in the interest of uniting the opposition.

People are rallying, she claimed, because "between Khomeini and the Communists, there is nothing but us. The only other solution would be a fascist military dictatorship, and, in the long run, that would lead to Communism anyway."

General Is Key
Most conversations with exile figures lead to the shadowy figure of Gen. Gholam Ali Oveis, the martial law administrator of Tehran under the shah and the commander in charge of the forces that fired on anti-shah demonstrators in what has come to be known as the Black Friday massacre. "Everything is being woven around Oveis," Princess Azadeh said.

Gen. Oveis, who fled to Iran and moved to Paris in November, 1979, seems to travel a lot between here and Iraq. His friends say that he has also been in Iran, in rebellious Kurdistan, in recent months.

A recurrent theme among the exiles is that Gen. Oveis, a native of the Iranian Shiite holy city of Qom, is the only officer who frightens Ayatollah Khomeini. This view holds that once Gen. Oveis decides to move as the head of the officers and men, he will be organizing in training camps in Egypt, Israel, the Khomeini regime will melt away and be replaced during a mass uprising, rather than by a purely military operation.

"A military coup would be disastrous for the future of the monarchy principle," Princess Azadeh said.

Exiles who are as opposed to each other as to see the U.S. failure as a blessing in disguise because it focuses policy away from the hostages and onto what they see as the more important question of toppling the revolutionary government.

"There's nothing to do for the hostages for the moment, Mr. Bakhshiar said in a separate interview. The United States, he said, "may have to wait for the overthrow of the regime to settle the hostage issue."

Mr. Bakhshiar, said that, until recently, "the Americans were making it known in countries like Turkey, Kuwait and the emirates of the Gulf that they should allow nothing that might hurt the Khomeini regime."

A highly knowledgeable French official source said that Iraq has been supporting all the opposition forces. "Saddam Hussein [the Iraqi president] is aiding everyone — Oveis, Bakhshiar, the Kurds," said the source, who added that France is in turn backing Iraq "to the hilt" with arms. Iraq's other main arms supplier is the United States through Saudi Arabia, the source said.

Six of the guerrilla chiefs head movements based in Peshawar, Pakistan, and two are based in Tehran.

stan that goes beyond the barrel of a gun."

In this view, the 85,000 troops are not enough to resolve the problem of continuing resistance by increasingly well-armed insurgents. Yet Moscow is unlikely to bring in heavy reinforcements soon for two reasons, these U.S. officials reasoned.

One is that the Russians, with the approach of what was called their first "good fighting season" this summer, probably would want to see how much better the troops there can perform, now that they have some fighting experience in the country. The second factor, officials believe, is that Moscow would be unwilling to again focus world attention on its intervention, and therefore would not send in larger forces until after the Moscow Olympics in July.

This virtually assures that the situation in Afghanistan will continue for several more months, and there are still other, new signs that the Russians are digging in for a long stay.

The Russians are building up a big logistics base at Pol-e-Khomi, about 100 miles north of Kabul, including construction of underground, concrete-covered storage facilities for ammunition and fuel, which had been kept above ground in rubber bladders.

Permanent bases for Soviet helicopter gunships are being built, sources said, at Ghazni, southwest of the capital, and at Jalalabad to the east, while maintenance facilities for those gunships are being expanded at the Kabul airport and at Bagram airfield north of the city.

The Tajik-Tajik, or Afghan Palace, in Kabul, another key site, is being renovated for use, apparently, as the permanent Soviet military command headquarters. This site is where the previous ruler, Hafizullah Amin, was killed during the initial Soviet takeover. A second large, new military headquarters is also being built just north of the capital.

In reiterating charges that the Russians seem to be using some kind of incapacitating gas — which is more dangerous than irritants used by the U.S. but not clearly lethal — officials said they are now getting reports of Soviet chemical decontamination equipment at artillery and gunship sites. This indicates, they said, that Soviet soldiers there must be handling shells or ammunition loaded with such gas.

Although the Soviet presence in the capital is large enough to maintain the facade of order, the U.S. officials contend, they said that

"outside of Kabul, the government hardly functions at all. Provincial governors are isolated in their capitals." The three other major cities — Kandahar, Herat and Jalalabad — "are really contested territory," they said. Jalalabad, they added, "seems out of government control several hours a day most of the time."

Political Costs

However, the Russians will not leave, an official contended, because they are a superpower and "the political costs of leaving are higher than staying." Thus, he reasoned, they try to dilute the costs by cosmetic schemes of a settlement that divert attention from their military presence.

"We'd like them to get the idea in their head that it [Afghanistan] is costing them more than its worth in terms of their relations with us, with Europe and the Islamic world," he said.

Unstated in the official status report was the Carter administration's concern that the Afghanistan situation is fading from the public mind, and with it the prospect for where in the world for strong counteraction against Moscow.

Officials also indicated that the Kabul government may be sending what were described as small commando-type hit squads into Pakistan and some assassinations among refugee leaders in that country may be the work of these groups.

Crackdown In S. Korea

(Continued from Page 1)

National Assembly ordering an end to martial law.

Kim Dae Jung, the last man to run against Park in an open presidential election in 1971, also was known to be in Gen. Choi's disfavor. Charged with instigating social unrest, he was taken into custody along with two of his secretaries, his son and his driver.

Although Kim Young Sam, the president of the New Democratic Party, was not arrested, the ban on all political activity promised to leave him without a forum for protest.

Gen. Choi had widely been expected to offer concessions to critics of his slow-paced transition toward what was, at least until today, expected to be a democratic government. Pressure for a speedy restoration of democracy was coming not only from students and opposition leaders but even from the major Democratic Republican Party. Last Thursday, Kim Ok Gil, the education minister, was expected to offer concessions, but he was not.

Under partial martial law as it had existed from the day after Park was assassinated until today, the military was charged with carrying out censorship — which had become increasingly liberal — and maintaining public order. The new minister, stated publicly that national martial law gives the military a direct voice in the overall administration.

U.S. Worried by Moves

WASHINGTON, May 18 (UPI) — The United States is deeply disturbed by the imposition of martial law and the arrests of opposition leaders in South Korea, a State Department spokesman said today.

"Progress toward political liberalization must be accompanied by respect for law," it said. "However, we are concerned that actions which will exacerbate problems in the Republic of Korea."

The department added, "The United States government will react strongly in accordance with its treaty obligations to any external attempt to exploit the situation in the Republic of Korea."

9 Miamians Die in Riot

(Continued from Page 1)

concentrated in a 76-by-37-block section containing the mostly black Liberty City suburb. No firemen were reported injured, but one police officer suffered a broken leg when a crowd yanked him from his car and beat him, said a police source.

Blacks, Whites, Hispanics

At least 120 persons were taken to hospitals, victims of shootings, stabbings and beatings. A spokesman for Jackson Memorial Hospital, the county's major emergency treatment center, said the injured included blacks, whites and Hispanics.

A county public safety officer said a black man had been shot and killed by police as he tried to kill a security guard.

One body was found in a burned-out car, another in northwest Miami, a third in a drugstore. Others included an Oriental male, two white men in their 20s who had been beaten and maimed, a Latin male and another shooting victim. Police said the Oriental man had been mutilated, with one ear and his tongue cut off.

A Miami Herald reporter, Ernie Young, said he watched a car reportedly drive over the body of a young man in a street. "I think I saw it rip the man's arm off," she said.

Qatari Official Calls for Unified OPEC Price

DOHA, Qatar, May 18 (UPI) — Sheikh Abdel Aziz bin Khalid Thani, Qatar's oil minister, called today on the Organization of Petroleum Exporting Countries to adopt a unified benchmark price for its oil OPEC conference scheduled for early June in Algeria.

He told the Qatari daily newspaper Gulf Times that "a unified price condition to maintain solidarity among the organization's members Qatar, which produces 500,000 barrels a day, joined several other members earlier this year in raising its oil price from \$27.23 to \$28 barrel."

The 13-member cartel failed to achieve a benchmark price in pricing session in December. The Qatari minister's call followed Arabia's decision last week to increase the price of its light crude oil to \$28 a barrel, retroactive to April 1.

Peru Begins Voting for Civilian Leadership

LIMA, May 18 (AP) — Peruvians went to the polls today to a national election that is to return the country to civilian leadership years of military rule.

Long lines of voters were waiting when the polls opened this morning. About 5.4 million of Peru's 6.4 million registered voters were expected to participate in the election of a president, two vice presidents, 60 senators and 180 congressmen to five-year terms.

There were 15 presidential candidates. Surveys indicated that the votes were former President Fernando Belaunde Terry, 67, of the Popular Action Party and Armando Villanueva, 64, of the center-right American Revolutionary Party.

Haughey to Seek Anglo-Irish Ulster Initiative

LONDON, May 18 (Reuters) — The premier of the Irish Republic, Charles Haughey, plans to urge Britain to join in an initiative to end Northern Ireland conflict when he visits British Prime Minister M. Thatcher in London on Wednesday.

Mr. Haughey, once tried and acquitted on charges of smuggling Irish Catholics in the British-ruled province, has made Northern Ireland his first priority since taking office in December. The Northern conflict has claimed 2,000 lives in the past 10 years.

The British do not see Northern Ireland as an Anglo-Irish problem. Mrs. Thatcher is expected to restate the British position that Northern Ireland will remain a province until a majority of its inhabitants otherwise.

French-Mexican Energy Agreement Reported

PARIS, May 18 (UPI) — France and Mexico are preparing to sign an accord under which France will construct three nuclear power plant uranium enrichment center in Mexico, a well-informed Mexican source said today. The source said that the accord would be signed tomorrow in a visit to Paris by President Jose Lopez Portillo of Mexico.

French officials hoped that the visit would produce economic agreements to exchange French nuclear technology for Mexican oil imports about 100,000 barrels of oil a day from Mexico and is a boost that figure.

Three accords dealing with agriculture have been signed, French said today. They call for technological cooperation in agricultural industries, farm machinery and the development of animal products by milk-based products.

Liberia Arrests 7 Officers in Coup Attempt

MONROVIA, Liberia, May 18 (AP) — Seven senior army officers have been arrested for allegedly taking part in an abortive coup attempt. Liberia's month-old military government, according to Brig. Gen. Quiwonkpa, commanding general of the armed forces.

Gen. Quiwonkpa said Friday that the seven officers had been arrested recently by the ruling People's Redemption Council, led by Samuel Doe. He said that they had tried to get other soldiers and civilians to join in an attempt last Wednesday to overthrow Sp. Doe.

He said that a search had begun for others believed to have been involved in the coup attempt and warned that any soldier or law enforcement officer who did anything to tarnish the image of Liberia's new government would face military discipline.

Austria President Elected For Second 6-Year Term

VIENNA, May 18 (Reuters) — President Rudolf Kirchschlaeger, strongly backed by Austria's ruling Socialist Party, was re-elected today with a landslide victory in national polls.

With three-quarters of the ballots counted, the Interior Ministry said the 65-year-old president had 73.9 percent of the total votes and estimated that he would be returned for a second six-year term with about 80 percent of the vote.

Mr. Kirchschlaeger was nominated by the Socialists but is not a party member. His chief opponent, Wilhelm Gredler of the center-right Freedom Party, had 17.3 percent of the vote, and Norbert Burger, leader of the small pan-German Democratic Party, won 3.3 percent.

The main opposition party, the conservative People's Party, stayed out of the election, saying it largely concerned Austria's internal affairs. People's Party voters in the incumbent president Mr. Gredler, 63, who is an ambassador to Peking and time diplomat.

Before becoming president Kirchschlaeger served for 10 years as foreign minister under (for Bruno Kreisky).

Voting was compulsory a triennial vote failed to vote. Normally, abstentions are done as soon as a new president is elected.

Mr. Gredler, who served as Austria's ambassador to Bonn before going to Chile stood as a "man of the center" going that the Socialists amassed too much power years as the governing party expected to retire from office.

The election was fought demagogically, with virtually phrasings on concrete political. Mr. Burger, 51, leads Austrian party to still call for "German ideas. He calls for a 'German Austria' and the 'so-called Austrian anti-Nazi. One of his election planks a demand for the restoration of the death penalty.

Volcano Erupts In Washington Area Evacuated

VANCOUVER, Wash. (AP) — Mount St. Helens today in its most violent 123 years, shooting smoke nine miles into the sky with a force of 200 miles. Aftershocks of possible volcanic floods and evacuated areas to the west.

A 12-foot wall of water sweeping down the south of the Tule River, Ben Bonta, County sheriff's deputy, said that it had recorded two abt the Richter scale.

"The column [of ash] at volcano is probably about a foot and may be as high as 100 feet," Joe Rosenbaum of Geological Survey said. "A lot of lightning in the cloud apparently striking the ground."

Much of the ash was to the northeast. "It's not here. You can't see any ash falling to state patrol radio tower William Richards in 80 miles northeast of the volcano. The mountain began steam and ash March 27 first time since 1857. The ash to erupt on the U.S. was California's Mount L. 1914-1917.

INSTANT GUSTS

What towers over Paris, has two fabulous restaurants (one starred) and drives gourmet wild? Concorde - La Fayette - the great hotel for businessmen who can't hunt their roast venison all over town.

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هكذا من النهر

Lakers Win NBA Title as Johnson Scores 42

PHILADELPHIA, May 18 (AP) — Magic Johnson, a 20-year-old rookie, led the Los Angeles Lakers to one of the true upsets in National Basketball Association playoff history, a 123-107 victory over the Philadelphia 76ers.

With center Kareem Abdul-Jabbar watching the game from the comfort of his living room 3,000 miles away, his sprained left ankle propped up on a coffee table, the Lakers won the NBA championship four games to two.

Johnson, who brushed off the added pressure when Abdul-Jabbar was injured, scored 42 points, grabbed 15 rebounds and had 7 assists. He made 14 of 23 field goal attempts and 14 of 14 free-throw attempts.

The Lakers outplayed the Sixers from the opening tip, but then with five minutes left Philadelphia pulled to two points back, 103-101.

As 18,276 Spectrum fans watched unbelievably, the Lakers outscored the Sixers, 20 to 6. Johnson had 11 of those 20 points.

It is the Lakers' first NBA championship since 1972, a perfect anniversary present for the team's 20th season. In those 20 years, the team has been in the finals 10 times, and won twice.

Johnson was voted the most valuable player in the series, Abdul-Jabbar's monumental contributions in the first five games notwithstanding. Johnson had help in the final game:

• Jamaal Wilkes outplayed Julius Erving and scored 37 points, the most he's had since high school. Erving had 27 points.

• The Lakers' without Jabbar — outscored the Sixers, 52 to 36, and 19 to 19 on the offensive boards. Wilkes, Jim Chones and Mark Landsberger had 10 rebounds each. No Sixer had 10.

• Jim Chones, the reluctant stand-in for Abdul-Jabbar, outplayed Darryl Dawkins. Chones had 11 points and 10 rebounds; Dawkins 14 points and 4 rebounds. With Jabbar out, the 76ers expected a major game from Dawkins.

Johnson opened at center and shifted to guard and forward in the first quarter, and he scored 13 points, on such shots as an in-your-face three-point drive on Dawkins, and a slayback.

The Sixers rallied in the second quarter, as Henry Bibby came off the bench to hit his first four shots. Steve Mix scored 10 off the bench, and Dawkins threw down a gorilla dunk, graciously leaving the backboard intact. The Sixers scored 13 layups in the half, a tribute to the absence of Abdul-Jabbar.

After the game, Johnson was in tears. "I'm just stunned, I can't even talk," he said. "I feel good about it, it's surreal. It was just a great team effort."

The Lakers' march to the championship was impressive — they defeated Phoenix in five games and then Seattle in five. And now Philadelphia in six.

Johnson's performance was a surprise. "I just think they should take his number down. It's not just any other player, no matter what the stats. He sure brushed me hard," said one of the Lakers' coaches.

Johnson was a second choice despite a minor leg sore. "I was a little bit of a concern," said one of the Lakers' coaches. "But he's a great player, and he's a great person."

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Giving away three inches to the 6-foot-11-inch Darryl Dawkins (No. 53), Magic Johnson blocks a shot in the NBA final.

Potvin Leads Islanders Over Flyers, 6-2

UNIONDALE, N.Y., May 18 (UPI) — The New York Islanders jumped to a four-goal lead in the first period here last night and, with Denis Potvin scoring two of the team's five power-play goals, registered a 6-2 victory over the Philadelphia Flyers in the Stanley Cup finals.

The Islanders held a 2-1 lead in the National Hockey League playoffs.

The best-of-seven series continues tomorrow night here, with the series switching to Philadelphia for the fifth game on Thursday.

The Islanders' assault came at the expense of goalie Phil Myre, who was starting his first game of the series and his sixth of this year's playoffs. Lorne Henning beat Myre on New York's first shot of the game at 2:38 and Potvin, Bryan Trottier and Mike Bossy later scored power-play goals to give the Islanders four goals on their first nine shots.

Potvin, the New York defenseman and captain, assisted on two goals in the first period and scored another in the second. Clark Gillies also scored for New York in the second period.

Henning's goal and the barrage that followed helped cushion the way for New York's goalie, Billy Smith, who overcame early jitters and held a shutout until Bobby Clarke and Mike Bossy beat him in the third period.

Philadelphia, coming off an 8-3 thrashing of the Islanders in the second period.

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Reutemann Is Fastest In Monaco Grand Prix

MONTE CARLO, May 18 (UPI) — Carlos Reutemann, driving a Williams, won the incident-packed Monaco Grand Prix today to notch his first Formula One victory in two years.

The 76-lap race began with a five-car accident at the first corner and ended at a crawl in heavy rain.

In between, Didier Pironi led for 54 laps in his Ligier before he spun off the increasingly slick track in front of the Casino and handed the lead to Reutemann, who recorded the 10th victory of his Grand Prix career.

Reutemann, the fifth winner in six races in the world championship, recorded his last victory in the U.S. Grand Prix at Watkins Glen, N.Y., in 1978.

He finished more than a minute ahead of Jacques Laffite who, despite an ailing gear box on his Ligier, managed to hold off the Brazilian Nelson Piquet, who was third, about four second back.

Fourth, about one lap behind, was Jochen Mass in an Arrows, followed by the Ferrari of Gilles Villeneuve. Another lap back, Emerson Fittipaldi finished sixth in a Fittipaldi.

The first-lap accident occurred after just 10 seconds as the 20 cars sped off the grid and converged on the first corner.

Derek Daly braked too late and his Tyrrell flew over the back of the Alfa Romeo of Bruno Giacomelli, cartwheeling along the track and

crashed back, damaging the Tyrrell of his teammate, Jean-Pierre Jarier, and the McLaren of Alain Prost.

"It was my fault," said Daly. "I hit Giacomelli up the back and started to fly."

"I didn't see anything except Daly's car flying over me," said Prost.

Piquet's third place gave him 22 points and a one-point lead in the world championship standings over Rene Arnoux, who started last on the grid and withdrew his Renault-turbo on his 55th lap.

Grand Prix Results:
1. Carlos Reutemann, Argentina, Williams, 1 hour 55 minutes, 34.36 seconds, average speed 81.20 mph.
2. Jacques Laffite, France, Ligier
3. Nelson Piquet, Brazil, Brabham
4. Jochen Mass, Germany, Arrows
5. Gilles Villeneuve, Canada, Ferrari
6. Emerson Fittipaldi, Brazil, Fittipaldi
7. Mario Andretti, U.S., Lotus
8. Riccardo Patrese, Italy, Arrows
9. Elio de Angelis, Italy, Lotus
10. Jan Lammers, the Netherlands, ATS

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Potvin Leads Islanders Over Flyers, 6-2

UNIONDALE, N.Y., May 18 (UPI) — The New York Islanders jumped to a four-goal lead in the first period here last night and, with Denis Potvin scoring two of the team's five power-play goals, registered a 6-2 victory over the Philadelphia Flyers in the Stanley Cup finals.

The Islanders held a 2-1 lead in the National Hockey League playoffs.

The best-of-seven series continues tomorrow night here, with the series switching to Philadelphia for the fifth game on Thursday.

The Islanders' assault came at the expense of goalie Phil Myre, who was starting his first game of the series and his sixth of this year's playoffs. Lorne Henning beat Myre on New York's first shot of the game at 2:38 and Potvin, Bryan Trottier and Mike Bossy later scored power-play goals to give the Islanders four goals on their first nine shots.

Potvin, the New York defenseman and captain, assisted on two goals in the first period and scored another in the second. Clark Gillies also scored for New York in the second period.

Henning's goal and the barrage that followed helped cushion the way for New York's goalie, Billy Smith, who overcame early jitters and held a shutout until Bobby Clarke and Mike Bossy beat him in the third period.

Philadelphia, coming off an 8-3 thrashing of the Islanders in the second period.

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In between, Didier Pironi led for 54 laps in his Ligier before he spun off the increasingly slick track in front of the Casino and handed the lead to Reutemann, who recorded the 10th victory of his Grand Prix career.

Reutemann, the fifth winner in six races in the world championship, recorded his last victory in the U.S. Grand Prix at Watkins Glen, N.Y., in 1978.

Give To Vote in Japan Expected to Bring Coalition Rule, Possibly by Left

By William Chapman
TOKYO, May 18 (WP) — The surprise of the Japanese election in a landslide vote threatens a major upheaval in Japan's political scene, the end of one-party rule and the beginning of a coalition government.

Two parties, the Liberal Democratic Party and the Socialists, are expected to win a majority of seats in the lower house of the Diet. The Liberal Democrats, who have ruled since 1955, are expected to win about 250 seats, while the Socialists are expected to win about 150 seats.

The election results are expected to force the Liberal Democrats to form a coalition with the Socialists, or possibly with the Japanese Communist Party, to maintain a majority in the lower house.

The Liberal Democrats have been in power for 25 years, and their long reign has been marked by a series of scandals and a growing sense of disillusion among the Japanese people.

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NEWS ANALYSIS

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Peking's Reported 707 Look-Alike Said to Be Flightless Embarrassment

By William Chapman
BEIJING, May 18 (NYT) — Peking's secretly built jetliner that has a close resemblance to the Boeing 707 reportedly cannot fly, and it is being used as a flightless embarrassment for the Chinese.

The aircraft, which is being built in a factory in Shanghai, is said to be a copy of the Boeing 707, but it is not capable of flight. The Chinese government has denied the existence of the aircraft, but it is widely known in the West.

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Liu Shaoqi Honors Liu Shaoqi After Decade in Disgrace

By Jay Matthews
BEIJING, May 18 (WP) — China's first premier, Liu Shaoqi, was honored yesterday by the Chinese government for his role in the country's history.

Liu Shaoqi was the first premier of the People's Republic of China, serving from 1949 to 1959. He was later disgraced during the Cultural Revolution and died in 1970.

The Chinese government has now decided to honor Liu Shaoqi for his contributions to the country's development and for his role in the early years of the People's Republic of China.

Deng, who, like Liu, was in the late 1960s but unlike Liu, was not a member of the Chinese Communist Party, continued the current effort to honor Liu Shaoqi.

The Chinese government has decided to honor Liu Shaoqi for his contributions to the country's development and for his role in the early years of the People's Republic of China.

Deng said that Liu "was the first to advance the concept of Mao's thought" and had "published" the concept in 1945.

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Deng's 22-minute speech, which was broadcast on television, highlighted moments in Liu's life, including his role in the founding of the People's Republic of China.

The Chinese government has decided to honor Liu Shaoqi for his contributions to the country's development and for his role in the early years of the People's Republic of China.

The interview was recorded Tuesday night in a PLO office in Beirut during a lengthy late-night session with Paris-based reporters appearing on Europe One radio's weekly interview program with journalists.

punish the deserters. The party's leadership decided to judge case by case whether to deny campaign funds to deserters.

Even if the party holds together, there will be bitter competition for campaign funds and central coordination. A loss of only a few seats could mean loss of control. The party now has a bare majority of 256 of the 511 seats in the lower house, although it can count on the support of six conservative independents.

Moreover, the party's popularity has been slipping downhill since August when, during a political campaign, Mr. Ohira unexpectedly began mentioning the necessity of a tax increase. In a public opinion poll taken by the Asahi newspaper last week, only 43 percent of the people expressed support for the Liberal Democrats.

If the Liberal Democratic Party loses its majority by only a few seats, it would probably enter a coalition with the Democratic Socialist Party, an equally conservative minor party. If it loses by a huge margin, there is the possibility of the Japan Socialist Party putting together a big enough coalition to govern.

A prominent political analyst, Takayoshi Miyagawa of the Center for Political Public Relations, predicted yesterday that the Liberal Democratic Party is certain to lose seats in the lower house. "I firmly predict that the day of one-party rule is over," he said.

Mr. Ohira depends on how Mr. Ohira handles the problem of disciplining those in hostile factions who boycotted Friday's vote. Sources said yesterday that he does not intend to banish them from the party. But the party leadership, which is loyal to Mr. Ohira, could punish them severely by cutting off campaign funds. At the least, the party was expected to call on them one by one to explain their boycott as a price for receiving party money.

The vote of no-confidence came as a surprise to everyone, including even those in the opposition parties who filed it. Such motions are routine in Japanese politics, and the Japan Socialist Party introduced the one Friday as a traditional move to open the campaign for the upper house election.

A small reform group in the Liberal Democratic Party suddenly appeared, demanding that Mr. Ohira take a firmer line against political corruption within the party. It presented a list of demands that Mr. Ohira refused. The Fukuda and Miki factions, seeing a chance to embarrass Mr. Ohira, took up the reform demands and insisted that Mr. Ohira agree to them if he wanted their votes against the no-confidence motion.

During Friday afternoon, emissaries from both the Ohira and anti-Ohira factions shuttled back and forth, trying to reach a compromise. Mr. Ohira refused again to give in. Suddenly the signal was given to start the vote on the lower house floor. Angered at what they claimed was Mr. Ohira's arrogance in refusing to negotiate, the Fukuda and Miki factions members boycotted the vote.

Yesterday, party sources reconstructed what happened as more a miscalculation than a deliberate plot by the anti-Ohira groups. As they described it, it resembled the American game of "chicken," in which two automobiles speed toward each other, each driver waiting for the other to swerve. This time, nobody swerved.



SQUARE RIGGING — Statue of Lord Nelson, victor at the Battle of Trafalgar in 1805, is made fast to workmen's ladders in London's Trafalgar Square. The equipment facilitates the statue's thorough every-other-year cleaning.

Belgium Names Cabinet, Again Headed by Martens

From Agency Dispatches
BRUSSELS, May 18 — King Baudouin of Belgium has appointed a new government, again headed by Premier Wilfried Martens, it was announced today.

The appointment of Mr. Martens' 36-member government from the French-speaking and Flemish wings of the Socialists, Social Christians and Liberals ended a five-week political crisis stemming from plans for partial regional autonomy.

Charles-Ferdinand Nothomb, 44, a French-speaking Socialist, was appointed foreign minister, replacing Henri Simonet. In the long negotiations over the makeup of the new government, Mr. Simonet's French-speaking Socialist Party indicated that it no longer wanted the position. Mr. Simonet was not named to the new government.

Charles Poswick, a French-speaking Liberal, became defense minister, replacing Jose Desmaretts of the French-speaking Social Christians. Mr. Desmaretts was named minister for planning and scientific policy.

The government appointed today is the second to be led by Mr. Martens, a 44-year-old lawyer from Ghent. His previous administration lasted just over a year before falling on April 9, when six senators from his own party, the Flemish Social Christians, voted against the government on a key devolution bill. Since then, Mr. Martens had served as a caretaker premier.

The senators who precipitated Mr. Martens' fall wanted stronger guarantees for Flemings in Brussels under a long-contested plan to grant partial self-rule to the capital, French-speaking Wallonia and Flemish-speaking Flanders. About 55 percent of Belgium's 10 million people speak Flemish; 44 percent speak French and less than 1 percent speak German.

In forming the new coalition, the parties have agreed to press on with the reforms for Flanders and Wallonia and to deal later with the problem of Brussels. The capital, a mainly French-speaking city surrounded by Flemish territory and having a vocal Flemish minority, has often been the stumbling block in seeking agreement on plans for devolution.

The coalition agreement also includes a package of financial austerity measures, aimed at cutting government expenditures by 2.2 percent, and a cut in direct taxation, reflecting the addition of the rightist Liberals to what was a center-left coalition.

The government named today includes 19 ministers and one secretary of state. Another eight ministers and eight secretaries of state belong to regional executives for Flanders, Wallonia and Brussels.

Iranian Is Killed In London Blast

LONDON, May 18 (AP) — An Iranian was killed and another was seriously injured yesterday when a bomb that they were making in a London hotel room exploded prematurely, Scotland Yard reported.

The explosion demolished a large part of the top floor of the four-story Queen's Garden Hotel in the Baywater district of west London. A third Iranian, believed by police to have been in the same room when the bomb exploded, was not hurt. He was arrested.

Each of the three carried two sets of travel documents, Scotland Yard said today, increasing speculation that the men may have had both Iranian passports and documents supplied by Iraq. Police refused to give details about the documents but said that the men had been in Britain one to two weeks.

Diplomats See Little Chance of European Initiative

Arafat Expects Talks Deadlock, More Tension in Mideast

By Joseph Fitchett

BEIRUT (JHT) — The Palestine Liberation Organization expects the Middle East to be deadlocked diplomatically and to experience rising tension in the coming months.

Mr. Arafat expressed disappointment with the degree of European support for the PLO. He insisted on three points that no major Western leader has conceded: the Palestinians' right to return to their homes in Israeli-occupied territory, their right to an independent state and their need to be represented solely by the PLO.

European governments attach great importance to a Palestinian settlement as a key to wider stability throughout the Middle East, including Iran and Afghanistan. Mr. Arafat noted that the Palestinian problem was what he called the Achilles' heel of any Western attempt to mobilize Moslem opinion against the Soviet Union.

European governments have encountered new obstacles in trying to deal with the PLO, however.

In France, Mr. Giscard d'Estaing's overtures to the PLO have triggered an unprecedented attempt by pro-Israel activists to form a U.S.-style Jewish lobby. Jewish Renewal, the activist organization, estimates that it has a hard core of support of 400,000 Jews, based on its estimate that there are 600,000 to 800,000 Jews in France, and that many of those potential supporters are North Africans who have come to France since the independence of the French colonies.

The Jewish establishment in France in the past has avoided open confrontation with the French government over Israel.

Baron Guy de Rothschild, the acknowledged leader of the French

Jewish community, reportedly has asked the World Zionist Organization to recall its newly appointed representative in Paris, Avi Primor, an Israeli diplomat who allegedly has been helping to organize Jewish Renewal. But the grass roots challenge already has produced a more pro-Israel stance from influential French Jewish figures.

Caution about offending Jewish opinion can be expected from Mr. Giscard d'Estaing, who faces an election next year. "Arafat has missed his moment," Giscard would have welcomed him [to Paris] last fall in return for PLO military concessions in Lebanon but now the French will demand recognition of Israel," a Paris-based diplomat said.

Mr. Giscard d'Estaing also appears to have shelved a French peace plan outlined to reporters last March after the French leader's trip to the Gulf. It called for a two-track approach to the Arab-Israeli problem involving two simultaneous peace conferences: at one conference, the PLO, Israel and the Arab countries bordering Israel would negotiate a border settlement; at the other, UN Security Council members would set guarantees to protect the settlement.

In Britain, Foreign Secretary Lord Carrington has been outspoken about the need for Europe to fill the negotiating vacuum in the Middle East while the United States is immobilized by the presidential campaign. He warned recently that a gap in negotiations would threaten oil supplies from the Arab states and promote Soviet influence in the Middle East. Prime Minister Margaret Thatcher's government contains factions that reportedly want Britain to recognize the PLO.

The British approach is based on trying to expand the language of Arafat's diplomacy.

Western analysts here said that Palestinian disappointment in Europe has strengthened the pro-Soviet PLO factions that oppose Mr. Arafat's diplomacy.

UN Security Council Resolution 242 enough to win Palestinian acceptance of the text — and thereby obtain indirect Palestinian recognition of Israel. Resolution 242 calls for Israeli withdrawal from territory occupied in the 1967 war but does not raise the notion of a Palestinian state in the West Bank and Gaza.

But Carter administration officials reportedly have insisted that Britain refrain from any initiative that might be politically embarrassing for the United States in the next few months. Mr. Carter's political rivals are stressing their support for Israel, so any Arab-tilted UN move would almost certainly draw a U.S. veto and strain U.S.-Arab relations, diplomats say.

New Cabinet Is Appointed Uganda Military Rulers Expand Powers

KAMPALA, Uganda, May 18 (AP) — Uganda's new military regime, which ousted President Godfrey Binaisa last week, broadened its power today and announced a new Cabinet.

The military regime's 14 proclamations give it the power to reverse any decision made by a yet-to-be-appointed presidential commission and the National Consultative Council, Uganda's interim Parliament.

In addition, political observers said, the new Cabinet lineup strengthens support for former President Milton Obote, who is to return here this month after nine years in exile in neighboring Tanzania.

Mr. Obote, who was ousted by former President Idi Amin in 1971, had planned to return to run against Mr. Binaisa in elections later this year. Idi Amin was himself deposed last year with the aid of Tanzanian troops, 10,000 of whom remain in Uganda and constitute the largest single military force in the country.

Fourteen of the 24 Cabinet posts were given to persons regarded as supporters of Mr. Obote's Uganda People's Congress Party. The new Cabinet includes 10 new ministers and 14 members of the Binaisa government. It was not known what status the 14 had during Mr. Binaisa's rule.

Tanzanian support is seen as crucial to the new Ugandan government, which toppled Mr. Binaisa in a dispute over his dismissal of the army chief of staff, Brig. Gen. David Ojok, on May 10. Gen. Ojok was one of four members of the ruling military commission appointed to the Cabinet.

Meanwhile, Mr. Binaisa has appealed for help from President Carter and British Prime Minister Margaret Thatcher. The appeal came in letters reportedly smuggled out of Mr. Binaisa's home in Entebbe, where he was being guarded by Tanzanian troops, and sent to The New York Times, The Washington Post and The Sunday Times of London.

Four members of the six-member ruling military commission met with Tanzanian President Julius Nyerere Friday and agreed on the conditions under which Uganda would be governed, sources said. The meeting reportedly resulted in an agreement that general elections would be held in Uganda in September under Commonwealth supervision.

In addition to allowing general elections, it was agreed that a three- or four-member presidential commission proposed by the military commission would include only civilians.

Although the powers of the president's office will go to the presidential commission, the military commission chairman, Paulo Mwangi, is to chair all Cabinet meetings, today's radio report said. Cabinet appointments are to be made on the advice of the military commission, the radio said.

The announcement said that all officials who served at any time during Amin's regime must be cleared by the military commission, but the clearance does not apply to members of the military commission itself. This puts almost all potential members of the government in jeopardy, as many stayed on for some time under Amin's rule.

The announcement said that the proclamations supersede the country's 1967 Constitution and any other lawmaking documents. Legal

action against police or soldiers who participated in last week's coup was forbidden.

Binaisa Appeals to West

ENTEBBE, Uganda, May 18 (NYT) — Godfrey Binaisa has appealed to President Carter and other Western leaders to put pressure on President Nyerere to reverse his recognition of the new military government in Kampala.

In letters to Mr. Carter and Mrs. Thatcher, he said, "Usually [Mr. Nyerere] heads the list in condemning military coups elsewhere, but this time he has for no known reason transferred his affections to a military takeover."

The handwritten four-page letter ended with the appeal: "Please help when there is still some time." Mr. Binaisa also sent a note to President Gaafar Nimeiri of Sudan in which he expressed concern for his personal safety. "My brother Julius, who usually condemns coups,

is now supporting the rebels. I don't know where they are taking me; I don't know whether they will kill me," he wrote.

The letters were smuggled out of the presidential statehouse in Entebbe, where Mr. Binaisa said he was being held as a "virtual prisoner" under house arrest by 150 Tanzanian soldiers.

In his letters, Mr. Binaisa urged Mr. Nyerere to join in a joint "approach to the Commonwealth nations for troops to come and keep the peace in Uganda until after the general elections, which I hope will take place on schedule in December this year."

In tape-recorded answers to questions sent to him, Mr. Binaisa said that the military coup was a prelude to ensuring the return to power of Mr. Obote without an election. Mr. Obote has denied reports that he was involved.

The military government has said that it would like to bring Mr. Binaisa to trial on charges of corruption and treason.

Blacks to Replace Whites In Zimbabwe Public Jobs

By John Edlin
SALISBURY, May 18 (AP) — Zimbabwe's whites, edgy about their future under a black Socialist government, learned yesterday that their days are numbered in top police and civil service jobs.

They also read that the month-old government of former guerrilla leader Robert Mugabe is seeking to stiffen taxes against the mainly white upper-income earners to pay for social reforms for the black poor.

The new policies were unveiled in three separate interviews with Cabinet ministers published yesterday in the independent Rhodesia Herald newspaper in Salisbury. In the interviews:

• The deputy home affairs minister, Tazara Ziyambi, announced that rapid promotions of blacks to top police posts would begin soon in the face of an exodus of white officers from the 20,000-member, white-dominated force.

• Manpower Minister Edgar Tekere disclosed that all appointments, promotions and transfers in the 40,000-member civil service, also largely white, have been frozen to allow blacks to move into dominant jobs.

• Finance Minister Enos Nkala revealed that the government is examining ways to make the rich pay higher taxes to help the poor.

Mr. Ziyambi, saying it was unfortunate that several hundred experienced whites had quit the police force at the end of last month, announced that 1,000 former guerrillas trained mostly in Communist countries would replace them beginning next month.

More than 1,000 police, civil servants and army officers declined to renew contracts that expired April 30, reliable administration sources told the Associated Press, and hundreds more are expected to quit in the next few months.

"There's no long-term future for us," said a senior police intelligence officer.

King Returns to Madrid

MADRID, May 18 (UPI) — King Juan Carlos and Queen Sofia returned to Spain today after a five-day visit to Ecuador. During their trip, they spent two days cruising through the Galapagos Islands.

Mr. Nkala, addressing himself to the whites, said in an interview that the wealthy may be forced to pay more in taxes when the next budget is announced.

"The burden of taxation must fall on those who can afford to pay for it," he said. But he stressed that the rich would not be soaked. "You don't kill the cow that gives you milk," he said.

When you foot the bill for a phone call home, you want the price to be as low as possible, right? Then follow these money-saving tips. If you're calling from a hotel that has Teleplan—a low-cost way to call home—you can be sure that telephone surcharges are reasonable. In other hotels, dial a short call from your room and have the folks at home call you back. There's no 3-minute minimum calling charge in most countries, and the surcharge on short calls is low. Also, you pay for the call-back with dollars later on your own home phone bill.

Many countries accept telephone company credit card and collect calls. And where they do, the hotel surcharges on such calls are usually low. You pay no surcharge at all on calls made at the post office or other telephone centers.

Now, make that call. Then with the money you saved, treat your feet to another museum.

Bell System

International Bond Prices—Week of May 14

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield	Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield
575	Fed Business Devl Bk	A	100	100 3/4	12.64		575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
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575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	

STRAIGHT BONDS All Currencies Except DM

Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield	Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield
575	Fed Business Devl Bk	A	100	100 3/4	12.64		575	Hydro-Quebec	A	100	100 3/4	12.64	
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575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	

This announcement appears as a matter of record only.



Kingdom of Belgium

US \$ 1,200,000,000

7-Year Credit Facility

Lead Managed by

Kredietbank N.V.

Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V.

Banque de Paris et des Pays-Bas Belgique S.A./Bank van Parijs en de Nederlanden België N.V.

Société Générale de Banque S.A./Generale Bankmaatschappij N.V.

Managed by

Algemene Bank Nederland N.V.

Amsterdam-Rotterdam Bank N.V.

Bank of Montreal Group

The Bank of Nova Scotia Group

The Bank of Tokyo, Ltd.

Banque Européenne de Crédit (BEC)

Banque Nationale de Paris

Banque de la Société Financière Européenne - SFE Group

Barclays International Group

Bayerische Landesbank Girozentrale

Berliner Handels- und Frankfurter Bank

Canadian Imperial Bank of Commerce

Chase Merchant Banking Group

Creditanstalt-Bankverein

Credit Commercial de France

Credit Lyonnais

The Dai-ichi Kangyo Bank, Limited

European American Bank Luxembourg Branch

The First National Bank of Chicago

IBJ International Limited

The Long-Term Credit Bank of Japan, Limited

Midland Bank Limited

Mitsubishi Bank (Europe) S.A.

National Westminster Bank Limited

Nederlandsche Middenstandsbank N.V.

Orion Bank Limited

The Royal Bank of Canada (London) Limited

The Sanwa Bank Limited

Société Générale/Société Générale Alsacienne de Banque

The Sumitomo Bank, Limited

Toronto Dominion International Bank Limited

Westdeutsche Landesbank Girozentrale

Funds provided by

Algemene Bank Nederland N.V.

Allied Irish Banks Limited

Amsterdam-Rotterdam Bank N.V.

Banco de Bilbao S.A. London Branch

Banco di Roma International S.A.

Bank of British Columbia

Bank of Ireland

Bank of Montreal

Bank of Montreal International Limited

Bank of New South Wales

The Bank of Nova Scotia Channel Islands Limited

The Bank of Tokyo, Ltd.

Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V.

Banque Européenne de Crédit (BEC)

Banque Fédérative du Crédit Mutuel

Banque Générale du Luxembourg S.A.

Banque Nationale de Paris

Banque de Paris et des Pays-Bas Belgique S.A./Bank van Parijs en de Nederlanden België N.V.

Bayerische Landesbank International S.A.

Berliner Handels- und Frankfurter Bank

Barclays Bank International Limited

The Chase Manhattan Bank, N.A.

The Commercial Banking Company of Sydney Limited

Creditanstalt-Bankverein

Credit Commercial de France

Credit Lyonnais

The Dai-ichi Kangyo Bank, Limited

European American Bank Luxembourg Branch

The First National Bank of Chicago

The Industrial Bank of Japan, Limited

Kredietbank N.V.

Landesbank Rheinland-Pfalz und Saar International S.A.

The Long-Term Credit Bank of Japan, Limited

Midland Bank Limited

Midland Bank Trust Corporation (Guernsey) Limited

Mitsubishi Bank (Europe) S.A.

Morgan Grenfell & Co. Limited

Nederlandsche Middenstandsbank N.V.

Nederlandse Credietbank nv

Orion Bank Limited

Orion Bank (Guernsey) Limited

Österreichische Länderbank

The Royal Bank of Canada (Overseas) N.V.

The Royal Bank of Scotland Limited

The Sanwa Bank Limited

Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited

SFE Banking Corporation Limited - SFE Group

Société Générale

Société Générale Alsacienne de Banque

Société Générale de Banque S.A./Generale Bankmaatschappij N.V.

The Sumitomo Bank, Limited

Toronto Dominion Bank

AI-UBAF Group

WestLB International S.A.

Agent

Société Générale de Banque S.A./Generale Bankmaatschappij N.V.

April 1980

Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield	Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield
575	Fed Business Devl Bk	A	100	100 3/4	12.64		575	Hydro-Quebec	A	100	100 3/4	12.64	
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575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
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575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May						575	Hydro-Quebec	A	100	100 3/4	12.64	

DM STRAIGHT BONDS

Amrt	Security	Shr	Conv	Issue Pr.	Mid Pr.	Yield
575	Fed Business Devl Bk	A	100	100 3/4	12.64	
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					
575	10 1/4 % 1985 May					

هكزان الثقل

Banking and Finance in Luxembourg

Landesbanks Build Business in Duchy

LUXEMBOURG (IHT) — The Luxembourg branch of West-Landesbank of Düsseldorf is the largest of the landesbanks — recently into modern new premises on Boulevard Grande-Duchesse.

Now have our own building of the other big German bank. It means that we are here to stay," said bank officer Schiettinger.

B International, which set up in Luxembourg in 1972, is engaged in loans, money activities and fixed interest.

Low spreads hit 1978-79 which were 587 million Luxembourg francs against 673 million francs the previous year. 1979-80 figures will be at the bank said confident. "I will hope to make a profit."

Securities portfolio has been a and even more emphasis on loans. Short and medium-term loans to industrial companies for more than half of all loan portfolio. The main lending is not to Germany. WestLB International, like the German banks in Luxembourg, stresses the current use of Mexico as a borrower.

Quarter of Loans

Last annual report of the bank says credits to developing countries were only granted where power was already in the process of industrialization. This has represented about a quarter of the loan portfolio with under spread among OPEC member states.

At the moment, WestLB International does not touch gold. It has facilities for a gold business in new premises.

Last landesbank into Luxembourg was Hessische in 1967 followed by Deutsche

Girozentrale, then Norddeutsche, Westdeutsche and Bayerische. There are now also Landesbank Schleswig-Holstein, Badische Kommunal-Landesbank, Landesbank Rheinland-Pfalz and Saar International and Landesbank Stuttgart International.

Financing in foreign currencies, forfait transactions and export financing are also in the field of the landesbanks. A Norddeutsche officer said that only 2.4 percent of deposits came from nonbank clientele. "The landesbanks in Luxembourg are trying to intensify this sector, stressing non-Deutsche mark deposits."

Place, Weight

The place and weight of the landesbanks in Luxembourg continues to grow. Their combined balance sheet totals represent 17 percent of the market as against 28 percent for the major German commercial banks, Dresdner, Deutsche and Commerz. Among the Germans, the landesbanks have 32 percent of business compared with the Big Three's 51 percent.

The leading commercial banks have volumes of 11 to 15 percent of those of their parent banks. The landesbanks reach something like 8 percent of their parents totals.

A landesbank spokesman said: "There is room for growth in the international sector all the more so as the major commercial banks transact a smaller part of their international business via Luxembourg than do most of the landesbank subsidiaries."

The answer is for landesbanks to increase their flexibility and the WestLB International is one which is studying this while hoping that securities depreciation will not overly reduce profits. The good news is that income from the credit department — 60 billion Luxembourg francs out to non-bank clients — is being maintained.

—A.T.



Boulevard Royal, where almost a half of all the banking houses in the Grand Duchy are situated.

Eurocurrency Gains As Bankers Move In

By Alan Tillier

LUXEMBOURG (IHT) — More bank nameplates are going up on the Boulevard Royal, the mini-Wall Street of Luxembourg, and in the nearby financial district in the heart of the capital of the Grand Duchy.

Luxembourg continues to grow as one of the leading European financial centers about 13 years after the first major West German commercial bank moved across the border. The Dresdner Bank's arrival in 1967 marked the start of Luxembourg's now considerable Eurocurrency business.

Luxembourg banking commissioner Pierre Jaans today supervises the activities of about 107 banks. This number will be growing again this year. Twelve of the current banks are from the Belgium-Luxembourg economic union and are in fact mainly Belgian-controlled. The rest are from West Germany, which has by far the biggest offshore banking presence in Luxembourg, various other West European countries, notably from Scandinavia, the United States and Japan.

Luxembourg is now confirmed as the third-ranking Eurobanking center in Europe. Last year banking volume increased by almost 30 percent, a much higher rate of expansion than comparable financial centers and the best in Luxembourg itself for five years.

Total Assets

The expansion of international business was the most vigorous. The total assets of Luxembourg banks reached \$110 billion of which the Eurocurrency component was close to \$100 billion, or some 87 percent.

Trading was almost equally in dollars and Deutsche marks, each representing between 42 and 45 percent of the total with very much smaller percentages for Swiss francs, sterling, French francs and guilders.

Luxembourg raised its share of total Eurocurrency transactions to 13 percent, but the geographical distribution of business changed somewhat. Western Europe continued to be the dominant market but lending to developing countries, particularly in Latin America increased whereas loans to Communist countries stagnated. Banks generally speak of growing business with both North and South America and often in Africa.

The West Germans dominate the scene but the background of banks has widened. Banks from 18 countries are now directly represented in Luxembourg and banks from another 22 by multinational joint ventures. This year is seeing even more new banks.

They are in Luxembourg to stay, judging by the expensive new buildings along Boulevard Royal and elsewhere, such as the second new block of premises for Hypobank's International now being completed on Boulevard du Prince Henri.

Tax Support

No wonder Mr. Jaans is able to say: "We always feel happy when banks make money." And they have been continuing to make money despite lower spreads, the rates borrowers pay over Libor (London interbank offered rate). Today the foreign banks are the main corporate tax support of the Luxembourg state.

Mr. Jaans has his office by the central railroad station, which is away from the financial quarter on the other side of the ravine that cuts through the middle of Luxembourg city. This is a close, but unobtrusive watch on the West German and other foreign banks. Bankers feel that Luxembourg wants them as much as they want Luxembourg because of its absence of minimum reserve requirements and its geographical location — next to West Germany and in the center of the EEC.

The government is sophisticated when it comes to dealing with banks and listening to their complaints. Luxembourg is not a tax haven. Banks are treated like compa-

nies and pay 40 percent corporate tax and local taxes, which can bring the total tax claim on gross income to the 45-51 percent range. It is certainly more expensive than Switzerland with its 30 percent rates and marginally less than West Germany. Luxembourg, in fact, practices the European average when it comes to taxes.

But the government is prepared to make adjustments and Mr. Jaans spoke of recent measures, notably the freeing of the gold market of VAT, the cancellation of withholding tax on Luxembourg-issued bonds, partial abolition of stamp duty on certificates of deposit in excess of 100 million Luxembourg francs, unilateral renunciation with limits of withholding taxes abroad. The government here changed the parameters in a quick, efficient way because Luxembourg currently has only nine or 10 treaties against double taxation.

American Banks

The 28 West German banks now in Luxembourg do the majority of business and it is estimated that they have between 50 and 60 percent of the market. The 11 U.S. banks in the Grand Duchy are relatively inactive although Wells Fargo's departure has been matched by Manufacturers Hanover Trust's arrival. Japan's Fuji has taken over a finance company, while Hessische Landesbank, which founded Banque Continentale as a joint venture in 1967, is now selling its 50 percent participation and starting up a 100 percent-owned subsidiary.

S.G. Warburg has a joint venture with the Germans and the Swiss and the Scandinavians are in Luxembourg because, as Mr. Jaans said, "traditionally, they have done a good proportion of their trade with West Germany and these dealings can be done out of Luxembourg."

There are 100-percent subsidiaries of Scandinavian banks involved in various joint ventures.

The holding companies based in Luxembourg do have tax advantages, but the fact that these are not extended to the banks themselves is defended by Ekkehard Storck, managing director of the Deutsche Bank in Luxembourg and a veteran observer of the scene after his 10 years in the Grand Duchy.

Better Deal

Nevertheless, the banks are naturally seeking a better deal with the government. This would normally be fairly easy except that Arbed, the Luxembourg steel company and by far the largest corporate entity, is heavily in the red and is not capable of providing its usual tax support. Arbed's employees, of course, pay their taxes, but the company itself is not contributing and thus the banks are shouldering the burden (75 percent of all corporate taxes in Luxembourg now come from the banks and 12-13 percent of the total tax return for the country).

Luxembourg has become the center for the Euro DM business and it has a 25 percent share of the "traditional" Eurocurrency market, namely that in Europe, which puts it after London and Paris. For the moment, the Arab states do not use Luxembourg as a recycling center, but the Eurocurrency market, the expanding gold market and private placements over 100,000 Deutsche marks are increasing Luxembourg's status.

Mr. Jaans added: "We are certainly not hostile to innovations in the field of banking techniques as long as they make common sense."

Bankers feel at home in Luxembourg, which has de facto banking secrecy, comprehensive officials, \$75 billion-\$80 billion worth of interbank business of which \$25 billion-\$30 billion worth was done between banks in Luxembourg. "There is a good horizontal integration of banks established here," said another Luxembourg official. Of the 7,000 people employed in the Luxembourg banking sector, about

(Continued on Page 12S)

Luxembourg Economy at a Glance

Government Social Christian Party (PCS) — Democratic Party (PD) Coalition
President: Pierre Werner (PCS)
Prime Minister: Gaston Thorn (PD)
Minister of Finance: Jacques Santer (PCS)
Population: 358,000 (1978)
GDP: 11.2 billion Luxembourg francs (1979)

Recent Situation

The Luxembourg economy is at a turning point. The results for the first half of this year were fairly good, with higher industrial production, a stabilization in the level of unemployment and a low inflation rate, the outlook for this year is less bright. The slowing in activity and the more rapid increase in prices expected throughout the European community.

Economic Indicators

	1977	1978	1979
GNP (billions of Luxembourg francs)	101.4	108.4 (est.)	116.0 (forecast)
Industrial Production (1975 = 100)	106.8	110.2	+4.5% (Jan-June)
Consumer Prices (1975 = 100)	117.2	120.8	127.5 (Sept.)
Balance of Payments (Current Account of Belgium-Luxembourg Economic Union (BLEU) in Lux Fr (bil.)	-26.0	-28.3	-23.4 (Jan-June)

Political Setup

The general election of June 10, 1979 resulted in a shift to the left, with the Socialist Workers Party taking three out of the 17 seats it held in the previous parliament and the Communist Party three seats out

of five. The new government is a coalition of the conservative Social Christian (24 seats) and liberal Democratic (15 seats) parties, and commands a majority of 10 of the 59 seats in Parliament.

Economic Activity

The economy is concentrated largely on services, which provide 54 percent of the GNP, and the production of steel which contributes a further 14 percent. The latter sector employs 14 percent of the working population and accounts for 34 percent of industrial production. The economic downturn in 1975 entailed a steep reduction in activity with steel production declining by 30 percent and concomitant falls of 22 percent in industrial output and 9.4 percent in gross domestic product. Since then activity has improved but industrial production in 1978 was still 12 percent below 1974.

Industrial production in 1978 went up by 3.2 percent, principally because steel output increased by 9.9 percent although other industrial sectors stagnated. The most active component of demand was undoubtedly the export sector, which accounts for 80 percent of GDP, where the volume of growth was 4.4 percent. However, net capital formation was also buoyant as a consequence of a major restructuring program in the steel industry and of continued moves by the government to diversify industry away from the steel sector.

During the first half of last year industrial production rose by a further 4.5 percent over the level of a year earlier, principally as a result of a 6.7 percent increase in output from nonsteel industries while steel production showed little change. Exports continued to provide the main stimulus, but domestic demand is also increasing. In particular, sales of department stores were 10.9 percent higher in value than in the first half of 1978, while investment remained considerable. The index of construction activity for the first seven months of last year was thus 6 percent higher than the figure for the corresponding period of 1978.

Employment and Prices

There was almost no unemployment before 1975. Since then, however, there has been a 2.5 percent fall in employment. Nevertheless, as a consequence of a halt in immigration (foreigners account for 25 percent

of the population) and of measures taken by the government in agreement with employers and trade unions, including early retirement and restriction on overtime and supplementary work, unemployment has been contained and has not exceeded 0.8 percent of the working population. Indeed in September, last year, unemployment had fallen by 12.7 percent compared with its level a year earlier.

In recent years the rise in retail prices has been moderate in comparison with trends in most other developed countries. Until the end of 1978 this was partly due to the effective appreciation of the Belgian Luxembourg franc during its membership of the "European Snake," which kept import prices in check. However, after increasing by only 3.1 percent last year, retail prices have tended to accelerate since the fourth quarter of 1978, and in September, last year, the consumer price index stood 5.1 percent above its level of a year earlier.

Finance

A major feature of the economy in the last few years has been the increasing importance of the financial sector. The Grand Duchy is thus now a major financial center, with an estimated 10 percent share of world Eurocurrency. This rapid growth has been encouraged by the authorities and reflects the fact that many banks not only take credits granted by parent banks domiciled in other countries on to their books but increasingly syndicate credits themselves.

Following an increase of 18 percent in 1978, assets of Luxembourg Banks rose by about 16 percent in the first five months of this year alone, and the growth in the OPEC surplus this year and next is forecast to bring substantial additional business, with new deposits coming not only from other centers but also directly from OPEC sources.

The expansion of banking activity has in turn benefited government finance by boosting taxation revenue from this source. Thus a budget surplus of 3.3 billion francs (3 percent of GNP) was recorded in 1978. However, a small deficit of about 600 million francs is expected this year as a consequence of increased financial support to the steel industry. Budget proposals for 1980 show another small deficit, of 200 million francs, with new loans being granted to

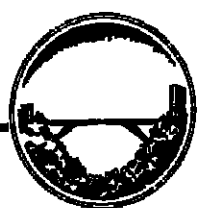
the steel sector and additional funds set aside for the development of the transport network, energy savings measures and increased social benefits.

External Position

Luxembourg's balance of payments is combined with that of Belgium in the Belgo-Luxembourg Economic Union (BLEU). The BLEU account as a whole showed a deficit of 31.2 billion francs in 1978 and of 34.7 francs billion for the first six months of last year, but there are good grounds for believing that Luxembourg's payment position is in surplus. Figures for Luxembourg's merchandise trade, which are available, show that a deficit has been recorded since 1975 as a consequence of reduced export growth, of an acceleration in import demand caused by sustained domestic consumption, and a deterioration in the terms of trade. In 1978 the trade deficit amounted to 12.5 billion francs compared with a gap of 10.9 billion francs in 1977. However, when earnings from services, particularly those of the financial sector, are taken into account, the balance of payments on current account is estimated to have shown a surplus of more than 20 billion francs, against 20.3 billion francs in 1977.

Outlook for 1980

While GNP may still increase in volume by 2.5 percent last year as a whole, against a rise of 3.2 percent in 1978, growth is not likely to exceed 2 percent this year. The benefits from the industrial restructuring measures undertaken since the oil crisis in 1973 are unlikely to be fully felt this year. Moreover the concentration of exports on intermediate products and on exports to EEC countries, where economic activity is expected to slow, will not work in Luxembourg's favor. At the same time, with a 31 percent reduction in the workforce of the country's main steel company planned between 1977 and 1983, unemployment is likely to increase, and this in turn may depress private consumption. Investment is also likely to expand less rapidly than last year, while the visible trade gap will probably widen as a consequence of a reduction in export growth and a further worsening in the terms of trade. Finally a somewhat higher inflation rate can be expected reflecting the increased cost of imports from other EEC countries.



Nordic Banks Have Established Strong Presence in the Duchy

By Westley Christner

STOCKHOLM (IHT) — Whether operating out of Luxembourg with a wholly owned subsidiary or a partnership, Nordic area banks have obtained a foothold in the market in a relatively short time — now being the second largest group there, after the Ger-

mans — and mean to keep expanding their business.

"Denmark is a member of the Common Market, and if we are to have a sensible operation abroad, it is almost a foregone conclusion we will have an operation in Luxembourg," said Torben Jantzen, head of the international division of Den-

Danske Bank, whose subsidiary there, Den Danske Bank International S.A., was opened in August, 1976. Its assets at the end of last year were 5 billion kroner (\$869 million), the main bank's assets amounted to 36 billion kroner.

Another Danish banker, Bent Pedersen, deputy managing director

of Privatbanken and head of its international division, said: "It is primarily an operation we use for financing Danish investments, and it's an active operation. It is a very useful tool in providing currency loans, and means we could take up competition with foreign banks set up in Denmark." He was referring to Privatbanken International (Denmark) S.A., also established in August, 1976. That subsidiary's assets amounted to 4.5 billion kroner and the main bank's were 31 billion kroner.

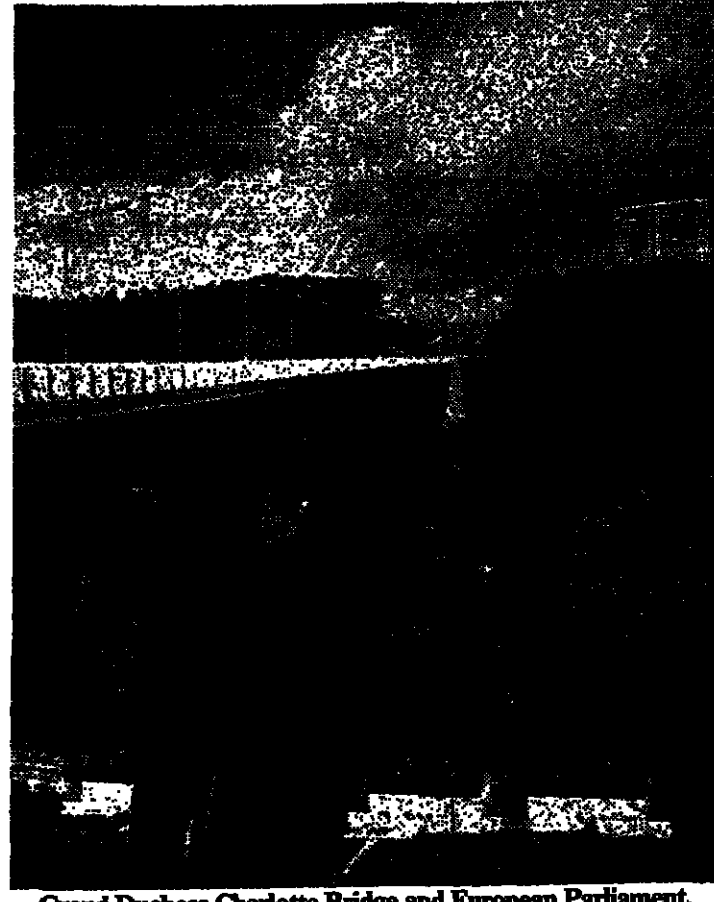
"We could not compete with other banks, because we could not take foreign currency loans into our balance sheet," said Bjorn Helland, assistant general manager of the international division, Bergen Bank Norway, whose joint subsidiary, Bergen Bank International S.A., was set up in February, 1976. Bergen bank owns 65 percent of the operation. Forretningsbanken of Trondheim, Norway, 25 percent and Bondernas Bank of Oslo 10 percent. That subsidiary had assets at the end of last year of 1.8 billion kroner (\$367 million), Bergen Bank assets of 14.3 billion kroner.

"Now we are, in fact, urged by the Bank of Norway to operate abroad, and these regulations have been abolished, so we do not have the same use for the Luxembourg operation as we had before. But it should be borne in mind that the future export of capital from oil could be through Luxembourg," Mr. Helland said.

Another Norwegian banker, Harald Moen, deputy general manager of the international finance division of Den Norske Creditbank, of Oslo, said that his bank's objectives in Luxembourg — Den Norske Creditbank S.A. — will not change because of the recent modifications in regulations.

"About 80 percent of the business is Norwegian or Norwegian related. We have the operation there to compete with the other banks that serve Norwegian clients," Mr. Moen said. That subsidiary had a 1979 balance sheet of 7.4 billion Luxembourg francs (\$250 million), and the parent bank 20.6 billion kroner.

Likewise, the relaxing of restrictions in Finland has changed reasons for Finnish banks establishing Luxembourg operations to be there, but still means they can service



Grand Duchess Charlotte Bridge and European Parliament.

home based and related business in competition with foreign banks.

"The bulk of business is short-term commercial financing to the Nordic countries and Germany. We thought that it was a very good idea to join forces with the Germans, and it has proved to be correct," said Gustav Mattson, general manager of the international division of the Bank of Helsinki, which has a 10 percent interest in the Luxembourg partnership — Hanse Bank S.A. — set up in 1977 with the Landesbank Schleswig Holstein Girozentrale in Kiel.

That operation had assets last year of 1.4 billion Deutsche marks. The Finnish bank's assets were 3.9 billion markkaa. "We had perhaps a bit more experience on the international side than our partner, but for the size of bank we have, it would have been too burdensome to have a 100-percent owned subsidiary, in

terms of capital and human resources," Mr. Mattson said.

A Swedish banker, Lars Strom, executive vice president of the Stockholm-based PKBanken, said that PKBanken International S.A., established in 1976, was set up "to a very large extent for the financing of Swedish trade and investments," but that "our operation, more than any other bank in the Nordic area, finances general international banking business." That subsidiary had assets last year of 2.9 billion kroner, in relation to the parent bank's assets of 67 billion kroner.

Rune Barneus, general manager of the international division, Swedish Skandinaviska Enskilda Banken, which opened its fully owned subsidiary, Skandinaviska Enskilda Banken (Luxembourg) S.A. in September, 1977, said: "As a commercial bank, we have to be in that market. For this reason, we are very

active in foreign exchange and we have some relatively senior dealers in Luxembourg who are, of course, in contact with Stockholm all the time.

"I would say the bulk of business is the export financing and medium-term financing in the Eurocurrency market," Mr. Barneus said. The S-E Banken subsidiary had assets in 1979 of 18 billion Luxembourg francs, and the parent bank had assets of 63 billion francs.

Same Services

A Danish banker, Ditlev Engelholm, deputy manager in charge of Associated Banks at Copenhagen Handelsbank, agrees that being in Luxembourg helps his bank offer the same services as only foreign banks were allowed to do before.

The Handelsbank subsidiary had assets last year in Luxembourg of 2.3 billion kroner and the parent bank had assets of 38.3 billion kroner. "It is not a way of getting around our central bank, because the bank is fully aware of what is going on. In the long term, it may prove to be less expensive to them and we — with our knowledge — are in a better position to judge the risks involved in the operation," said Mr. Engelholm, whose subsidiary, Copenhagen Handelsbank International S.A., was set up in October, 1978.

Finnhäll Torgersen, assistant general manager at the international division of the Oslo-based Christiana Bank og Kreditkasse, said: "The changes in the regulations are of a temporary nature, but the central bank's attitude about our doing international business from Luxembourg is very positive."

"We are loyally reporting, and we cannot risk capital without permission," said Mr. Torgersen.

Because of the merger with a Andresens Bank taking place on May 19, the new bank, still being called Christiana (reflecting the larger partner), is expected to show a combined balance sheet this year in Luxembourg of about 20 billion kroner, 12 billion kroner coming from Christiana.

A Finnish banker, Ilka Laakkonen, foreign manager of Kansallisen Osake-Pankki, whose Luxembourg subsidiary, KOP International Bank S.A. opened in the autumn of 1977, said that "the bank regulations do not allow us to participate

in international business in certain loans." That subsidiary assets last year of \$405 million, while parent bank reported a \$5 billion.

Bond Market

"On the bond side, we do participate. The Luxembourg market, of course, depends reasons for being there. But a tax haven, and does not control loopholes. And we free environment, as far as taxing on the money market is concerned," Mr. Laakkonen said. "Of course," he said, "we see this bank as a parking our credits. It is a bank which tended to stand on its own to be a regular bank for the Swedish and Scandinavian trade."

That subsidiary, Svenska Kreditbank S.A., began operations in 1978, with assets at the end of year of \$386 million and bank assets of \$57 billion. It does mainly short and medium Eurocurrency, as well as, as a "combi" (basket of currencies) and rollover loans — allowing banks operating in Luxembourg of Germany.

Some banks are engaging in types of activity. For example, gen Bank is considering syndicated loans. Christ study building up the right side of its business, but is right

— like others — to do so. cause of the prevailing market conditions. And Union Bank in Germany's Luxembourg subsidiary, which opened a merchant bank in Luxembourg.

Other Nordic area banks, expected to follow suit. And, as pointed out, the offshore activities of the Nordic banks in Luxembourg are expected to rise. "I think offshore business from Luxembourg will be increasing," said Mr. Strom.

Mr. Strom said: "The must go on outside, because Luxembourg home market is small. It could not support a bank."

The Bank of Helsinki's general manager said that "it is also to attract offshore business done in Luxembourg. There is some money market business, but little commercial business, not very much local business around," he added.

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Assets	Lux. francs million	US\$ million
Cash and banks at sight	23,653	788
Banks at term	33,138	1,105
Bills and notes	6,913	230
Loans and advances	30,490	1,016
Securities	2,759	92
Fiduciary accounts	2,386	80
Miscellaneous	2,765	92
Fixed assets	2,040	68
	104,144	3,471
Liabilities	Lux. francs million	US\$ million
Due to banks	27,592	920
Customers' deposits	66,741	2,191
Miscellaneous	4,485	149
Fiduciary accounts	2,385	80
Shareholders' equity and borrowed capital	2,799	93
Provisions	846	28
Available profit	295	10
	104,144	3,471

Consolidated Balance Sheet as at December 31, 1979

- Total assets of Lfrs. 104.1 billion, representing an increase of 22% with regard to 1978. This exceptional growth is due above all to the customers' deposits which were more than 30% up on last year.
- Own resources reaching Lfrs. 2.8 billion.
- Net profits of Lfrs. 292.6 million as compared to Lfrs. 260 million in 1978.
- Same dividend as in 1978 (Lfrs. 229.41 by share; Lfrs. 195 net of withholding tax) after a capital increase from Lfrs. 1,006 million to Lfrs. 1,500 million.
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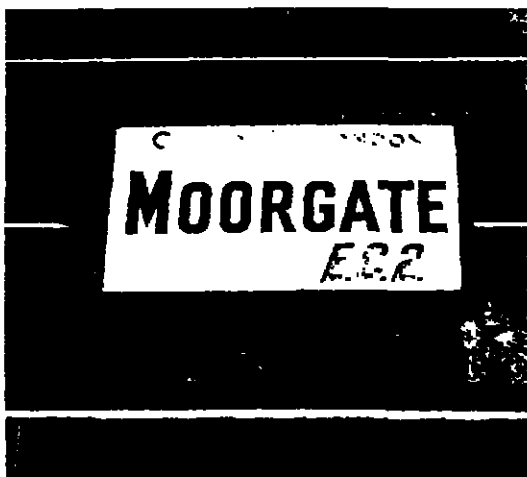
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Luxembourg
Telephone: 42 86 11
Telex: 2652 bvi lu

Bayerische Vereinsbank
(Union Bank of Bavaria)
London Branch
40, Moorgate
London EC2R 6EL
Telephone: (01) 628 9066
Telex: 881 3172/3 bvlg

Bayerische Vereinsbank
Head Office
International Division
Kardinal-Faulhaber-Strasse 1
D-8000 München 2
Telephone: (089) 2132-1
Telex: 529 921 bvm d
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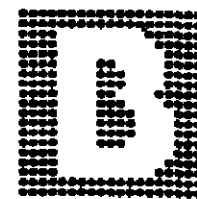
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Bundesbank Seeks the Harmonization of Regulatory Practices

by William Roper

FRANKFURT (IHT) — The Bundesbank is seeking to harmonize regulatory practices across the European Community (EEC) and beyond. The central bank's efforts are aimed at creating a unified banking law within the EEC, which would facilitate the free movement of capital and the growth of the Eurocurrency market.

The Bundesbank's initiative is part of a broader effort to harmonize regulatory practices across the EEC. The central bank's efforts are aimed at creating a unified banking law within the EEC, which would facilitate the free movement of capital and the growth of the Eurocurrency market.

Central Point

Luxembourg occupies a central point in the discussions, which have taken place to date among German banks and supervisory authorities, in that its banking system is liberal by comparison with German standards. Banking in the Grand Duchy is free of the minimum reserve requirements imposed on domestic banks and foreign liabilities by the Bundesbank in West Germany. These are together with other barriers designed to deter the inflow of too much capital, particularly of a short-term character, which could prove disruptive to longer term central bank aims, such as the control of money supply and of inflationary threats.

Main Target

Proximity to West Germany makes Luxembourg a center for Eurocurrency banking, particularly in the field of Eurodollar deposits. The Bundesbank has long been concerned with the growth of this business, which has led to the establishment of the Grand Duchy as a major center for Eurocurrency banking. The Bundesbank's efforts are aimed at creating a unified banking law within the EEC, which would facilitate the free movement of capital and the growth of the Eurocurrency market.

countries, such as Luxembourg, and say within the guidelines of the planned harmonization of banking law within the EEC. All this takes time and the unbridled growth of the Eurocurrency market, the unparalleled expansion of Eurocurrency operations, and the spectacular increase in the business activities of the German subsidiaries in Luxembourg over the past decade, have hardly given anyone the chance to sit down and discuss the main problem areas, let alone patch together a unified banking law of international proportions.

Luxembourg occupies a central point in the discussions, which have taken place to date among German banks and supervisory authorities, in that its banking system is liberal by comparison with German standards. Banking in the Grand Duchy is free of the minimum reserve requirements imposed on domestic banks and foreign liabilities by the Bundesbank in West Germany. These are together with other barriers designed to deter the inflow of too much capital, particularly of a short-term character, which could prove disruptive to longer term central bank aims, such as the control of money supply and of inflationary threats.

An interesting development, which could have immense repercussions for the continued presence of German banks in Luxembourg and the Grand Duchy's status as a center of Eurobanking, was the decision by the Bundesbank earlier this year to dismantle some of these deterrents to capital inflows. In the middle of March the central bank sanctioned the federal government's desire to encourage capital imports by relaxing in part the restrictions on capital inflows. It halved the minimum limits on German Federal fixed-interest securities and those of mark-denominated promissory notes, or "Schuldscheine" as they are called in Germany.

This move, seen in connection with the Bundesbank's measures to raise leading German interest rates further this year, first in February and then at the end of last month, serve as strong indications that the German monetary authorities wish the measures to have the result that the mark maintains its attractiveness in the eyes of foreign investors. By dismantling some of the barriers, which encouraged German banks to set up shop across the border in Luxembourg in the first place, the German monetary authorities appear to be tagging at the carpet on which Luxembourg's position as a Eurocurrency center rests. Time will tell whether or not the German authorities feel it necessary to remove more of the barriers.

The need for greater transparency of German banking activities abroad and the ways by which this can be achieved was reinforced and outlined by the Bundesbank in its annual report for 1979, which was published recently. In the report the central bank wrote that several banking supervisory measures geared to improve the transparency of German banking business abroad and to support indirect macroeconomic aims went into effect in West Germany last year and at the start of this year.

For the first time last year annual audited reports of West German offshore banking subsidiaries were submitted to the German supervisory authorities. This was on the basis of a voluntary agreement between the Federal Banking Supervisory Office in West Berlin and German banking associations. The central bank stressed, however, that this agreement, generally referred to as the "gentleman's agreement," alone does not suffice to enable regular supervision of German banking activities abroad.

German banks up to now have submitted monthly balance sheet data referring to business between their branches abroad and foreign partners. In addition the banks have since the end of March provided information on the geographical distribution of the assets and liabilities in dealings with non-Germans and the currencies in which the transactions are concluded.

Conclusive Data

The Bundesbank noted the ability of these reports to impart conclusive information remains limited as long as German offshore banking subsidiaries, whose activities are more sizable than those of the overseas branches, do not supply the necessary additional information.

Less than 40 percent of issued medium to long term Eurocredits of German banking concerns on a roll-over basis are included in the reports at present, the central bank cited by way of example. German bankers interpret this as a need on the part of the supervisory authorities to see more and speedier information on the loans individual banks have outstanding in the international market, their amounts, the borrowers, and the maturities. This is in order to get a picture of the individual bank's exposure, whether direct or through a foreign subsidiary.

The worry of the Bundesbank implicit in the report is that German banks transfer much of this loan business to foreign subsidiaries, primarily in Luxembourg, to evade restrictions of the West German Credit Law (KWG), which limits credit volume of the individual banks to a multiple of equity. The law as it stands at present has the drawback that it sets down capital ratios and other regulations on banking balance sheets which apply solely to the parent banks, and not to the subsidiaries as well.

One of the most interesting points to emerge from the Bundesbank's report is that the central bank emphatically presses for a revision of the German Credit Law as soon as possible, legally compelling the banks to draw up fully consolidated balance sheets and also requiring a setting of capital ratios on a consolidated basis.

'Legal Preconditions'

"It is essential to create as soon as possible the legal preconditions for the continuous submission of up-to-date banking returns on a consolidated basis and to apply thereby specific banking supervisory regulations," the Bundesbank wrote in its report. German bankers see the law has a good chance of being revised in the next legislative period, after the West German general election later this year.

The interest of the West German monetary authorities in discussions over ways to improve transparency and achieve better control of international banking business also lies in the fact that the mark's role in Eurobanking business has acquired such large proportions that it now appears necessary to examine closely the consequences of unimpeded growth and where needed take the agreed precautionary measures.

This is the opinion of the Bundesbank, which goes on to write in the report that full agreement exists over the need to create and implement banking supervisory regulations on a consolidated basis, and this necessity has figured high in the discussions of central banks within the framework of the Bank for International Settlements (BIS) for a long time.

The interest of the authorities in the mark's role in Eurobanking is touched upon elsewhere in the Bundesbank's report, where it stresses that further extension of the mark's role as a reserve currency could influence the unit's exchange rate and West German money supply.

The Bundesbank goes on to note significantly that "despite concern about the continued growth of the mark's reserve role, increased demand for marks for investment



The Luxembourg Chamber of Commerce.

must be accepted and even satisfied in a suitable form."

At the end of last year, statistically calculable mark holdings of foreign monetary authorities were almost 65 billion marks, comprising more than 20 billion marks held in mark investments in West Germany and about 42 billion in mark deposits on the Eurocurrency market, the Bundesbank estimates in the report.

The German monetary authorities, then, have been forced to accept the steady but unbridled growth of the mark's reserve function over the past 10 years, as the influence of sterling declined, and as the mark stepped into the shoes vacated by the British currency.

The mark is now clearly the second most important unit for international investment and currency reserves after, and still a long way after, the U.S. dollar. The mark is now estimated to account for between 11 and 12 percent of official foreign exchange holdings, with little sign of the growth abating in the near future.

Camera Angle

But if the camera angle is shifted to focus on Luxembourg, a vastly different picture emerges. Out of the entire foreign currency business transacted in the Grand Duchy, the mark and the U.S. dollar each account for around 45 percent, while

the Swiss franc makes up the largest portion of the remainder.

The emphasis varies from bank to bank of course. The currency share on the assets' side of the business conducted by Deutsche Bank's Luxembourg subsidiary, for example, was 62 percent in marks and 31 percent in U.S. dollars in the 1978-79 year ended Sept. 30, compared with 51 and 43 percent respectively in 1977-78. About 80 percent of the Eurocurrency market centers on Luxembourg, and this makes it easy to see why the West German monetary authorities are so concerned about involvement of German banks in Luxembourg in particular.

It is the successive strength of the mark over the past 10 years, as it

leaped from one revaluation to another, that accounts for the backbone of the Luxembourg operations of German banks, and which has also provided the monetary authorities the stick to beat them with.

Should the value of the mark against its major trading partners decline in the foreseeable future and, coupled with this possibility, its pre-eminent position in the Grand Duchy lose in emphasis, then the shoe will be on the other foot, and the West German monetary authorities will have to rethink their position over the involvement of German banks in Luxembourg. At present there are few signs which suggest a drastic reappraisal of the situation taking place.

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British Representation Remains at Minimum

By Gregory Larson

LONDON (IHT) — Luxembourg's significance as a major Euromarket center is unquestioned. But it still takes second place to London. And London is the home of the British clearing and merchant banks. Hardly surprising then that the British banking presence in Luxembourg is minimal.

"We can do everything we want from London in our international business," explained a spokesman for National Westminster Bank. "Luxembourg does have tax advantages but, in itself, that would not be sufficient reason to set up an operation there." That is a view shared by most other clearing banks and is unlikely to change in the foreseeable future.

Two of the British clearing banks are indirectly represented in Luxembourg through consortium operations. Midland Bank has a stake in the New York based European-American bank through its involvement with EBIC (European Banks International Company). European-American opened a branch in Luxembourg in August last year and regards itself as be-

longing to the U.S. banking community there. Barclays Bank has an 11.1 percent share, along with eight other banks, in Societe Financiere Europeenne, an international consortium merchant bank whose headquarters are in Luxembourg. But direct representation by the major British banks has so far been ruled out, although the issue has been considered at senior management level at intervals over the last few years.

Recent Move

An exception to this trend was the recent move by merchant bank S.G. Warburg to set up a joint venture in Luxembourg with Bank Leu of Zurich and Effectenbank-Warburg of Frankfurt. Each has a one-third stake in the bank, known as Societe des Banques S.G. Warburg et Leu S.A.

Ostensibly, the rationale behind the venture was to become involved in the Luxembourg commercial banking market and gradually develop other areas of business as opportunities arose. But a particular advantage for Warburg is the contact it has gained with the major German banks in Luxembourg and greater access to Swiss private clients through Bank Leu.

Bank Leu has a reputation for its good placing power in the bond markets, and the joint operation will strengthen Warburg's placing capability. But the three shareholders are adopting a cautious approach and expansion will be very gradual. The bank's staff numbers around 20 at present, backed by the resources of the three parent organizations.

The British clearing banks feel that their priorities now lie outside Luxembourg. In France for instance, Midland has concentrated on building up its Paris based merchant bank, Midland Bank France S.A., and last year took a controlling interest in Banque de la Construction et des Travaux Publics S.A. Barclays hopes to finalize its purchase of nine French branches from Lloyds Bank International by the summer.

Overseas Expansion

National Westminster's overseas expansion in recent years has been concentrated on North America and to a lesser degree in Switzerland and Germany.

Historically, the British clearing banks did not need a base in Lux-

embourg because their involvement in the Euromarkets was comparatively recent. The American banks decided in the early 1970s that they should beef up their international presence and some chose Luxembourg as a base from which to do it.

The Germans made their international move even earlier and began setting up in Luxembourg in the late 1960s. But the British banks, although active in the Eurocurrency deposit market, did little business in the syndicated credit or Eurobond areas until four or five years ago.

National Westminster made its push into the credit market in 1978 but its bond business is still not significant. Lloyds Bank International started its syndicated credit activity earlier and has established an aggressive reputation for itself, but, like National Westminster, is not a force in the bond markets.

Nor were the British banks subject to the punitive reserve requirements on foreign liabilities which made Luxembourg particularly attractive to their German counterparts. Those requirements were largely responsible for the rapid increase in the number of German banks arriving in Luxembourg in the early 1970s.

'Big Difference'

"Obviously, if the British authorities imposed minimum reserve requirements on our foreign liabilities that would make a big difference to our international operations," said a senior clearing banker. "But I really don't see that happening."

The British presence in Luxembourg may be minimal but it is not totally absent. Several firms of money brokers are active in the city, attracted by the substantial volume of interbank deposit business. The size of the interbank market is estimated at around \$80 billion, of which about one-third comprises business conducted between Luxembourg based banks. That gives the brokers plenty of scope although competition is tough.

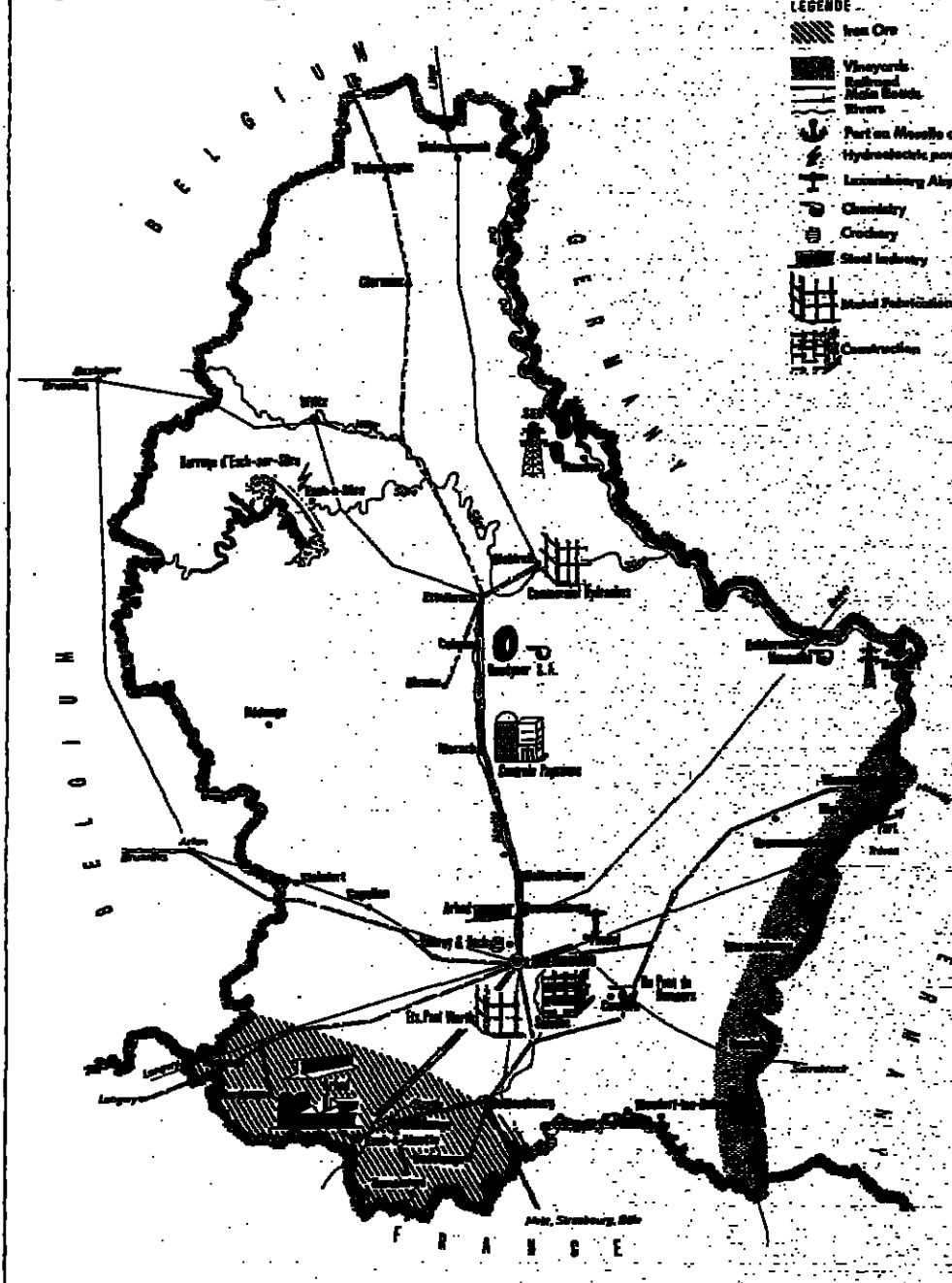
The British are represented by Astley and Pearce, Charles Fulton, Harlow Meyer and Kirkland-Whitaker. Most of the broking community has been in Luxembourg for several years. Astley and Pearce arrived in 1973 and Kirkland a year later. "We came because Luxembourg was a growing market and it still is," commented Kirkland's Iain Campbell. "Deposit broking is one area of activity but we also act as brokers in the foreign exchange market."

Other firms, such as Astley and Pearce, concentrate on deposits. "It's hard to get good staff to work on foreign exchange broking," commented a spokesman for the firm. "And most people are here for the deposit business; foreign exchange is only a small part of the whole."

"I would certainly appreciate the presence here of some of the well known British banks," commented banking commissioner Jaans. "But I realize that given the facilities available to them in London we can't offer many clear advantages."

In an international market where the climate is one of steadily rising costs and declining margins, it is unlikely that Luxembourg features high on the list of priorities for British financial institutions. Other international banks will no doubt continue to arrive in Luxembourg but the British are happy to stay where they are.

Grand Duchy of Luxembourg



'Eurobasis' of Deutsche Bank

By Alan Tillier

LUXEMBOURG (IHT) — Luxembourg's role as something other than just a profit center is stressed by the two other members of the German Big Three, Deutsche Bank and Commerzbank, and not merely because the former's profits are marking time while the latter's have dropped by 50 percent.

Deutsche, No. 1 in Germany and No. 4 in the world, is No. 2 in Luxembourg, but that does not seem to concern Ekkehard Storck, the managing director, who states: "It doesn't matter. After all, we are the Deutsche Bank." He explains the strategy: "It is not our main purpose here to make profits. We are here to fit into the Deutsche's policy for international business."

"We are the Eurobasis of Deutsche Bank and are by far the biggest in the credit and syndicated loan business. It is a worldwide business and I can say that the Bank's main international loan business is done here."

Deutsche Bank Compagnie

Financiere Luxembourg has total assets of \$10 billion and its latest profits announced last fall edged up to \$19 million. This year could be better.

Profit Center

Commerzbank which is more heavily into DM and dollar bonds has been vulnerable to increases in interest rates and profits have fallen to \$10 million. But Commerzbank general manager Ulrich Damm agrees with Deutsche's Storck that the Luxembourg-based majors have other responsibilities.

Mr. Damm, who is one of the most articulate bankers in Luxembourg, said: "Luxembourg came to be considered a profit center although this was not the original idea. Luxembourg at the beginning was supposed to be a service instrument for the parent company, circumventing restrictions at home, giving international service to an international clientele and providing an opportunity for placements in deutchmarks."

As other bankers stated, profits

came easily and in some cases doubled within the space of a few years. "Some of the advantages of the expansion of international business and began into 'quick profit' areas," he said. "Bankers added that Luxembourg rode out the storm in 1974-75 the risk factor was the securities portfolios began profits in the past two years."

A good number of the have reverted to the idea of their parents. "It is more in to remember the original ob-

stated Damm. To improve their overall medium term deposit position man banks need help from Luxembourg subsidiaries have been undertaking, as from 15 to 30 percent of the business.

Seventy percent of the in the German banks in the Duchy are placed inside Europe and at the end of there were \$21 billion dollars in West Germany.

Commerzbank said it has completed "a first successful step" in Luxembourg, a reminder that Luxembourg is a young center, that its current market position is "well in excess" of original expectations. Money market operations, most recent profits, that profits generally be down in 1980 but that "things are on the move. The change in outlook."

'Better Roots'

A banker said that foreign in Luxembourg were not down "better roots" and mezzbank's Mr. Damm lists of the new growth areas, gold, silver, portfolio management, issuing of CDs, propaganda, issuing Luxembourg's possibilities.

For their part, the Lux authorities, according to Damm, were reviewing bank operations in order to further the recovery of withholding small taxes against CDs, strengthen laws, introduce fiduciary so profitable in Switzerland, prove the education of banks.

Deutsche's Mr. Storck said Luxembourg had the advantage over Switzerland in that the man banks could bring in the staff. "We are happy in Luxembourg. It's a growing market gives us the flexibility we Luxembourg is an EEC center of Europe. In its legislation is similar to the man."

He has been in the international loan business for Deutsche in Luxembourg for far longer than colleagues in London and Paris. Bonds are handled in Frankfurt while freedom from trading enables him to pursue of which he has 20 percent Luxembourg market.

Deutsche Bank notes: "The vision of Euroloans to non-including development (tion) continues to rank high counting for half of the business. Luxembourg Eurobank other European centers, but leading in the most important."

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Number of U.S. Bank Branches Declines

Gregory Larson
LUXEMBOURG (IHT) — The number of U.S. bank branches in Luxembourg is an unsettled one. One of American representatives has dropped to 11, from 15 in 1977.

When the Americans followed the heels of the Germans in 1969, they matched the business of their German colleagues. One U.S. bank, Manufacturers Trust, is about to open a subsidiary in Luxembourg next month.

Now the trend has been one of new openings. Wells Fargo was the first of the U.S. banks to establish a presence in Luxembourg, finally wound up at the end of last year, using the scope of its business earlier.

Original Aim

Original intention of the U.S. community was to test the waters as a center for international banking and at the same time local banking business.

Years ago Luxembourg was thought it might become a center of the Eurodollar market. Britain was a member of the EEC at that time for any U.S. bank which branch in Europe, Luxembourg was a natural choice. But banking business in the form of taking deposits and remittance corporations has not been sufficient to offset rising costs and the dramatic weakness found in 1976 and 1977 made more attractive as a international activities.

U.S. banks here seem to be down a bit now," remarked Cunningham, managing director of Bank of America International. "Luxembourg bankers are kindly view. Some of the American banks came here really thinking what they were doing," commented one.

Recently, though, the Luxembourg bank has taken a change of heart. It is no longer part of the American merchant banking

group but has been put back into the regional network. "The reasons for the move were twofold," Mr. Cunningham explained. "Our money market activity is commercial rather than merchant banking business and in that area we report to Frankfurt. Secondly, our private banking business, dealing with customer portfolios, is answerable to head office in California."

That change means that the Luxembourg bank will be taking a keener interest in syndicated credits. "Previously we really had to confine ourselves to Luxembourg-based borrowers in the credit market," Mr. Cunningham continued. "Now we hope to be more active although we won't be competing with Bank of America International in London."

"Now they are just treading water, doing some business but facing the prospect of virtual stagnation."

Bank of America first appeared in Luxembourg in 1969 as a wholly owned subsidiary of the San Francisco parent. It merged with Bank of America International in 1977 when the bank bought out its two partners in the merchant banking operation.

If some of the U.S. banks are reshaping their strategy in Luxembourg, or at least finding their feet, what are the prospects for a new arrival such as Manufacturers Hanover? The new operation will be a subsidiary of the parent, not a branch and will apparently undertake traditional banking activities. The idea of a Luxembourg operation has been under discussion for

about a year amid speculation that the main attraction for the bank was Luxembourg's double taxation agreement with Brazil.

But it is very unlikely that any bank would go to the expense of incorporating a new subsidiary just for tax reasons. The lure of private banking business is a more credible reason for Manufacturers move. Luxembourg is known as a natural haven for Middle Eastern private funds, either in the shape of deposits or fixed income investments. And the city's reputation as a private banking center is also drawing funds out of Switzerland and West Germany for management in Luxembourg. In any event, Manufacturers Hanover is making a cautious start, planning an initial staff of between 15 and 20.



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Resilient in Hard Times, Able to Adapt as Conditions Change

By Paul Christopher

BRUSSELS (IHT) — Not only is it resilient in hard times, Luxembourg as a financial center is renowned for its ability to adapt to the markets that make money, when conditions change.

Although the center does not have the universal banking infrastructure that would round it off as a financial capital, it can quickly adapt to new conditions. Moreover, its growth outstrips the pace of the Euromarket as a whole.

Growth in the first half of last year was 35 percent when the overall Euromarket was hardly expanding at all. The second six months were less impressive but balance sheet expansion still averaged around 20 percent.

A typical example of Luxembourg's adaptability came when the Eurobond markets slumped heavily and gold took off toward the \$800 an ounce mark.

Luxembourg dollar Eurobanks became active in trading gold for clients. So much so, in fact, that serious talk of providing physical storage, insurance facilities and security services for some time this year was started. "We're using our unemployed Eurobond dealers to trade gold," one banker said at the time.

Effect of Resilience

The stress laid on gold when Eurobond markets were depressed, the trade in short-term instruments when syndicated credit activity slowed and Luxembourg's pre-eminent position as the Euromarket center all serve to underline its resilience. In the years immediately after World War II, the first international banks to arrive were Belgian. By the 1960s, U.S. and West German banks began to set up international branches.

As the expansion of the 1970s got under way, international operations were set up by Nordic, Dutch, French, Italian, Austrian and British financial institutions. These have been joined by Poland's Bank Hand Lowy Warsaw, the Bank of China, Japanese and Mideast institutions. In total they now number well over 110.

Their total balance sheets amount to roughly \$110 billion, making Luxembourg second in Europe to London, where the balance sheet total is \$280 billion.

What Luxembourg does not have, which London and smaller centers like Paris and Brussels do, is a universal financial structure. There is little in the way of merchant banking, foreign exchange trading is limited and the money markets, despite rapid growth, lack the depth and sophistication of London.

Furthermore, bank to bank business only accounts for one-third of an interbank activity. More than 60 percent of the trading is done outside. But this is an improvement on the past. Internal interbank business has more than doubled in the past decade. However, further progress in this area would definitely be needed before Luxembourg could be compared to London.

Deposit Market

The Grand Duchy is mainly known for its activity in syndicated Euroloans. Correspondingly, the active deposit market, with the dollar and the mark taking the lion's share of trading, provides the other side to this business. Of all currency traders the dollar and the mark account for between 40 to 45 percent each.

At the start, the subsidiary banks in Luxembourg were used by their parent banks to book loans. Little decision making or negotiation was done from Luxembourg. Much of that has changed now. Several important credits have been syndicated entirely in Luxembourg. Recently, these have included Euroloans for Denmark, Mexico and Argentina. The Luxembourg Eurobanks, and not only the large West German institutions, lead manage credit lines.

The smaller Eurobanks are also aggressive enough not to be content with mere participation, but require management or co-management positions in Euroloans.

The Luxembourg Eurobanks are also at the forefront of the lenders' fight with the borrowers for more stringent loan terms. Talk is more fierce than in most centers of the

need for wider spreads, shorter maturities and, in particular, more discerning country risk assessment.

In the wake of the Soviet intervention in Afghanistan and the ramifications of the Iranian-U.S. crisis, Luxembourg bankers have become insistent that risk be reflected in conditions. This is despite the fact that Luxembourg Eurobanks have been prolific lenders to East Europe.

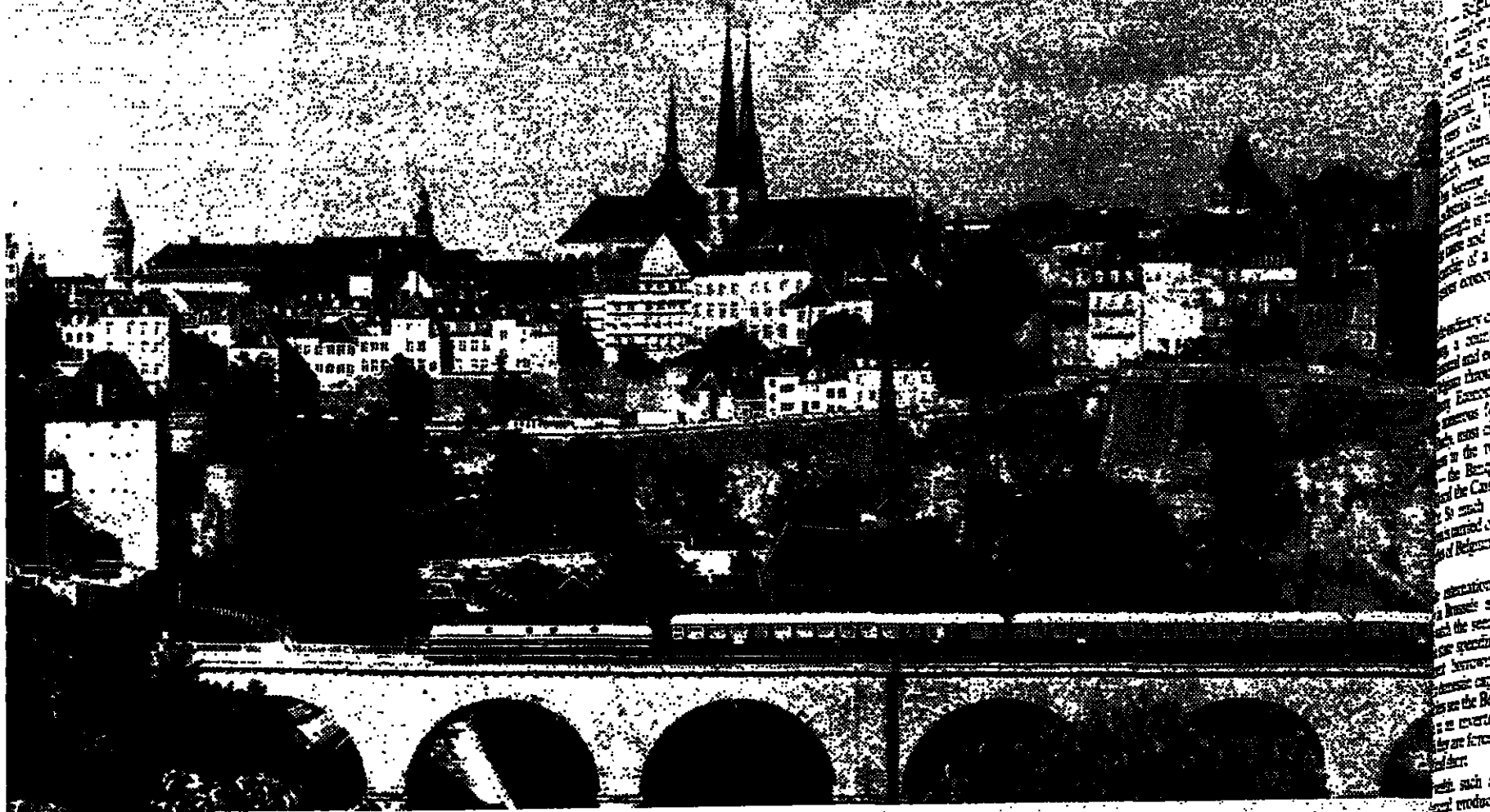
Credits to West Europe, always a staple for the Luxembourg institutions, have become more important. The 25 West German subsidiaries, which were led by Dresdner Bank International, which set up in 1967, came here to avoid minimum reserve requirements in their home country.

This requires them to deposit a proportion of their liabilities with the Bundesbank, in noninterest bearing accounts. They are pre-empted in the Eurocredit market but are particularly interested in financing credits linked to exports by West German corporations. Luxembourg is also the major Euromarket center and the West German subsidiaries make the market in deposits.

Another important leg of their business is secondary market trading in domestic and Euromarket-denominated paper. To this can be added — in the case of the larger banks — foreign exchange trading, gold and private client business.

The Nordic banks comprise the second largest group of institutions in the Duchy. Once again, minimum reserve requirements in their home countries played a major role in bringing them here. Representing about 7 percent of the balance sheet total here, the 15 Nordic institutions concentrate mainly on Euroloans to customers in their home countries. But, increasingly, they are branching out to participate in third country credits, unrelated to Nordic business.

Despite some relaxation of reserve restrictions in Sweden and Norway, banks from these countries have decided to stay put. Boosting international business, a presence in a major Euromarket center and redepositing Norwegian petromoney provide the reasons.



A passenger train crosses the viaduct on the eastern side of the Grand Duchy of Luxembourg.

Among the Nordic institutions, DKBanken is probably the largest participant in third-country credits. The Nordic banks also serve the foreign-exchange needs of home-based customers. They make markets in positions that domestic regulations restrict.

Banks from other countries came here to be close to an increasingly important Eurocenter. Ironically, 1979 saw a rapid rise in the number of institutions, when credit conditions seemed less and less appetizing. But the combination of poor

communications by air, rail and road and inadequate telephone facilities makes a presence imperative to a bank seriously interested in business with Luxembourg.

Eurobond business in Luxembourg is now cautiously increasing after the slump over the last six months. But though banks here were instrumental in setting up the Eurobond market — notably Kreditbank S.A. Luxembourg and Banque Internationale a Luxembourg — primary issuing activity is small.

Apart from the local Luxembourg franc bond market, new issuing activity is usually confined to participating in underwriting groups. A lively secondary market exists, but, most bankers concede that London remains number one in the Eurobond market.

One exception is Kreditbank's series of issues in European units of account. A currency basket of its own formula, these issues have generally been successful at a time when the risk of exposure in a single currency has ballooned.

Issue by Summer

The Luxembourg market may soon start issuing its own Eurodollar certificates of deposit. Approved by the banking commission and under study in a group of Luxembourg banks, an issue could be forthcoming by the summer.

That Luxembourg is important in the Eurobond market is, however, undisputed. It is the base for CEDEL, one of two major computerized clearing systems, and for a recently launched computerized trading system, EURESC.

While CEDEL is firmly established, EURESC has yet to prove itself. It needs to get accepted by the mar-

ket at large, which in turn means that enough market makers participate in the system to interest the market as a whole. This is yet to be the case. Unfortunately for the system, it was launched at a time of depressed markets. But maybe this year will allow the system to develop. The recent gold rush laid stress on the need for Luxembourg Eurobanks to offer clients a gold service.

Private client business, from fiduciary Euromarket accounts, investment advice of all kinds to gold, is increasingly important in Luxembourg.

Though there is no interbank gold market in Luxembourg, gold business, on a certificate basis is transacted local London or local Zurich.

Both Eurobanks and the bank as commission admit that despite the removal of all restrictions on gold

trade at the beginning of last year, facilities and expertise are inadequate.

Further, despite Dresdner Bank's well-known interest in the gold market, other Luxembourg banks are reluctant to speculate on how the market could grow.

But restrictions on gold business in West Germany, and more surprisingly, Switzerland, could mean rapid development of Luxembourg's ability to serve its clients in gold. "Luxembourg will never be a gold interbank market," one banker said. "Maybe. But it could still grow quickly to emerge as an important center for private clients with interests in precious metals."

Indeed, private clients are seen by some leading Eurobanks as underpinning growth in the 80s, while Eurocredits, which spurred

the expansion in the late 70s, could slow.

The increasing need, given the East European situation, for diversification of assets has quite a few of them to find Europe part of the world.

The center, which now serves about 12 to 13 percent of the assets of an average of the Euromarket, is likely to move closer to center stage in the coming decade. Always there, however, is a limit to how much capital that cannot be absorbed by the traditional way.

Although no tax haven of corporate tax, the freedom of movement in Euroloans, recognition and encourage the banks and the institution's regulation of the banking commission all underlie this facet of the character.

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Economic Doubts in Belgium Torry Luxembourg's Savers

SELS (IHT) — Belgium's economic situation has a comfortable cushion of doing very well, so the uncertainty over balance of payments is not only uncomfortable but also intrinsically in a country only 150 years old but with a conservative that makes it particularly difficult to change.

Belgium's economic strength has become the country's industrial strength, and if that strength is now in both the cause and the effect of serious economic problems to the ordinary citizen, the country is in a difficult position.

Luxembourg, a country in the financial and economic center of Europe, is a country that has been a source of economic strength for the world's financial community.

Despite the numerous forecasts in the Duchy, most cities have access to the two banks — the Banque Nationale (BNL) and the Caisse de l'Etat. So much of the banking business is carried out in the Duchy, most cities have access to the two banks.

One of the international financial centers in Brussels are the banks that watch the seemingly uncontrollable state spending in government borrowing, and they see the Belgians caught in an inverted U-curve in which they are forced to live on a tight budget.

Table of wealth, such as the gross national product, is still tight up with the world's very well-to-do, but the American and some other countries but almost all of West Germany and the Netherlands and France.

There is also one of Europe's public debts per head and a country that is repeatedly subjected to speculative pressure in the foreign exchange markets but which cannot devalue for fear of losing all its faltering economy. In addition, there is a debate over what is termed

the last count there were 110, in terms of balance sheets, the development was even more spectacular.

Those 20 banks had combined balance sheets worth 47.5 billion Luxembourg francs, and now the balance sheet of the whole banking sector in the Grand Duchy is estimated at more than 3 trillion francs. That growth has also been accelerating fast, for during the early 1970s it stood at 1 trillion, and during last year increases in the Luxembourg banking balance sheets were running at a rate of 35 percent.

The word most often used to describe Luxembourg's rocketing rise in an international banking center is "phenomenal." And with banking activity centered around the Euromarket that has increased one hundredfold since 1965 it is accurate enough. Yet, like most good blanket clichés, it is an adjective that hides as much as it reveals.

For Luxembourg is a banking center that is unlikely ever to become an international financial center, and in that lies its vulnerability. The thriving banking sector that

"le mal belge," the political dilemma produced by friction between the newly rich Flemish-speaking northern part of the country and increasingly impoverished French-speaking Wallonia in the south. Because of the delicate political situation, no Belgian politician has dared to make serious cuts in the state's soaring expenditures.

In essence, the domestic capital market, which in large part means the banks, has been making up the widening gap between the state's receipts and disbursements. But with interest rates being raised to keep pace with rates elsewhere and at the same time to deflate a very open economy prone to importing inflation, the position of the banks has deteriorated.

Deteriorating Position

The head of the Banque Bruxelles Lambert, Belgium's second largest bank, recently summed up the situation, emphasizing that deposits were now being outstripped by public and private sector loans accelerating at over 13 percent a year. In a separate analysis, the Bruxelles Lambert economists said the slowdown in deposit growth had contributed to a liquidity squeeze that in turn was exerting "a strong upward pressure on interest rates."

Belgium is not accustomed to such situations. Its comparatively large and well-to-do middle class has long been a reliable source of investment funds. Not for nothing is the private buyer of government gilt-edged stock known in bankers' jargon as "the Belgian deficit," while the country as a whole has until recently had a savings rate of 17 percent of income.

Belgians may still be saving — but not in Belgium. There has been an unmeasured outflow of capital across the country's frontiers.

Many Belgian purchasers of Eurobonds ride what are called the "coupon trains" across the border into the Duchy where they clip their bond coupons and escape the tax that would have been imposed in Belgium.

Interest rates on sight deposits and savings in the Netherlands are now almost double those of Belgium — up to 13 percent instead of around 7 percent. Belgian banks are understandably concerned by the fact that they are being forced increasingly back onto the interbank market and thus find themselves borrowing funds from Dutch banks at 17 percent that would normally have been deposited in them at 6-7 percent.

"The Belgian banks" are generally understood to mean the country's big three — the Societe Generale de Banque, banking arm of the giant Societe Generale de Belgique industrial holdings group, the Banque Bruxelles Lambert, the second largest which is in tandem with the Compagnie Bruxelles Lambert holdings operation, and Kredietbank, the flagship of the country's hungry Flemish business community.

Last year, in spite of the worsening economic climate, all three managed to hold their own surprisingly well. Whether this year will see similar resilience is uncertain at best. Last year the Societe Generale de Banque increased its balance sheet up by 14.5 percent to 856 billion francs while net earnings increased 11 percent to almost 2 billion francs. The Bruxelles Lambert topped that figure in growth terms with a 16.3 percent rise in the balance sheet rise to 600 billion francs and an increase of more than 12 percent in profits. Kredietbank's balance sheet for the first half of last year rose 16 percent.

Although the future for domestic Belgian banks is a good deal less rosy than even in the immediate past, international banks have consistently found Brussels attractive. There are now nearly 60 foreign banks, mostly grouped along the city's bustling Avenue des Arts and dealing with corporate accounts, and on calculations based on their external balances, they have pushed the Belgian capital into ninth place in the world league of financial centers.

Most Recessionary Trends Confounded

Pamela Readhead

LUXEMBOURG (IHT) — "It is like Wall Street from the 1920s, but more like toytown's top storey," said a U.S. now operating out of Luxembourg.

Comment was an oblique reference to the glass and concrete structures that have sprung up in the center to house the international banking boom, and to the fact that Luxembourg nevertheless remains a sleepy small-town character.

There have been an allusion, too, to Luxembourg's lack of real financial scale on the scale of New London. But for all that the so-called "Grand Duchy," in between the frontiers of Belgium and West Germany, has a track record of dramatic growth during the past 20 years and is now confounding all recessionary trends by continuing its upward climb.

Years ago, there were just a few banks in Luxembourg, while at

the last count there were 110, in terms of balance sheets, the development was even more spectacular.

Those 20 banks had combined balance sheets worth 47.5 billion Luxembourg francs, and now the balance sheet of the whole banking sector in the Grand Duchy is estimated at more than 3 trillion francs. That growth has also been accelerating fast, for during the early 1970s it stood at 1 trillion, and during last year increases in the Luxembourg banking balance sheets were running at a rate of 35 percent.

The word most often used to describe Luxembourg's rocketing rise in an international banking center is "phenomenal." And with banking activity centered around the Euromarket that has increased one hundredfold since 1965 it is accurate enough. Yet, like most good blanket clichés, it is an adjective that hides as much as it reveals.

For Luxembourg is a banking center that is unlikely ever to become an international financial center, and in that lies its vulnerability. The thriving banking sector that

now provides 15 percent of the Grand Duchy's revenue in corporation taxes alone has none of the financial infrastructure in the shape of stock, insurance and commodity markets that a full-blown financial center needs.

Nor, given Luxembourg's size with a working population of around 140,000, is any such spin-off from banking activities very likely.

Luxembourg has in part become a magnet for the world's major banks because of its increasing role in the Eurocurrency loan business, and the expanding Euro-Deutsche market in particular. But it has also owed its growth to having become a refuge from tighter banking controls, looser banking secrecy laws and greater reserve requirements elsewhere.

Even if discussion of central bank control of the Euromarkets remains so much talk for the foreseeable future, the Luxembourg authorities tend to be the first to acknowledge that a question mark will always hang over the banking sector's future.

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Strict Banking Secrecy Appreciated in France

PARIS (IHT) — Until two French customs officers were recently arrested by the Swiss police while allegedly attempting to acquire a computer listing of a Swiss bank's secret French clients, Switzerland seemed the super-safe haven for French money.

It has been illegal for years for any French citizen to have accounts abroad — though unconfirmable estimates are that about 400,000 have taken out several billion francs (in suitcases, or via sophisticated accounting processes) to Switzerland.

"Luxembourg is closer, said a French banking official, who asked to remain anonymous. And unlike the French-Swiss border, there are virtually no customs checks. After all, it is an EEC country."

Luxembourg banking secrecy is every bit as tight as Switzerland's too. It is part of Luxembourg's criminal code. Anyone giving away any information obtained through their job can be put in prison.

Numbered Accounts

So even French banks in France cannot know anything about the accounts of even French clients of their Luxembourg subsidiaries — and if clients open a numbered account, only a few people inside the Luxembourg office will know their identity.

In fact, the secrecy rule has posed problems to foreign banks trying to consolidate results from overseas operations. A request is pending with the Commission de Controle des Banques that a bit more data will be obtainable in future.

Do Luxembourgers use the secrecy to dodge taxes? "Difficult in a country of 300,000 people," a government banking official said, "and our citizens have a tradition of honesty. Though of course there may be a few with accounts in Switzerland."

Hypo Does World Loan Business

LUXEMBOURG (IHT) — Hypobank International, the Luxembourg offshoot of the Bayerische Hypothek und Wechselbank, of Munich, is an example of the success of the medium-sized West German banks. In its eighth year in Luxembourg, Hypo increased its balance sheet by 28 percent to some \$2.46 billion. This year the figure could well rise by a similar amount. Profit was 41 percent higher at \$9.8 million.

Hypo went to Luxembourg originally to provide its parents customers with Euroloans, but since then it has moved into what managing di-

rector Peter Bambula called "the real Euro business. We are active worldwide lending to Mexico as well as Denmark. Half of our total assets have been generated by our loan business."

The bank also helps its fellow countrymen by covering the unsecured part of German exports by secured to South America or Africa.

The bank's business is still mainly within the EEC, but the Comecon states are in third position after non-EEC Europe. Hypo opens in London this year but the policy will remain that the whole world is open to everyone within the group.

Zurich Gnomes Are Supplying Liquidity Flow to Grand Duchy

By Margaret Studer

ZURICH (IHT) — In discreet offices that do not draw the attention of tourists, Swiss banks ply their wholesale trade in the Eurocenter of tiny Luxembourg, totting up large loan turnovers with small staffs.

From the 10 Swiss banks represented in the Grand Duchy flows much of the liquidity which greases the 108 banks operating in the town of 78,000 inhabitants. For it is through Luxembourg that the proverbial gnomes of Zurich invest a good deal of the money deposited in their fiduciary accounts by oil sheikhs, multinationals or maybe even a French tax-dodger or two who prefer to remain anonymous.

These famous Swiss trustee accounts, which are invested in the bank's name at the client's risk, usually on short-term with a reputable foreign bank, are booming at the moment.

Last year, the fiduciary volume in Switzerland rose more than 40 percent to 80 billion Swiss francs against 1978's 56 billion. The Swiss National Bank is getting so worried about the growth of the accounts (considered unhealthy because the accounts are not included in the balance sheet) that its president, Fritz Leutwiler, called for a slowdown.

Biggest Share

Enjoying the buildup, however, is Switzerland's offshore partner Luxembourg which gets the biggest share of fiduciary investment business with around 22 percent (1978).

According to Swiss Volksbank director, Rudolf Bosshard, its Luxembourg subsidiary increased its balance sheet by more than 45 percent

last year mainly due to the great increase in Swiss fiduciary account inflows. When funds from such accounts are deposited outside Switzerland, interest earned is tax free.

What makes Luxembourg so attractive? Why not Nassau in the Bahamas? It is not a question of taxes but rather of location and security. Banks must pay about twice the amount of taxes on income in the Duchy that they would have to in Switzerland.

But Luxembourg is conveniently in Europe, and bankers see its political and social stability as big pluses. And since Switzerland is not a member of the European Economic Community, through Luxembourg, its banks have access to EEC institutions.

Most of the Swiss banks followed their German counterparts which moved into Luxembourg in the late 1960s. The German banks sought to avoid the federal republic's tough minimum reserve requirements. Luxembourg, with no such laws, made lending money a much more profitable business. There are now more than 28 German banks in Luxembourg which account for over half of all the business transacted.

"In the early 70s, investors were not so eager to have their money in London any more. There were rumors about restrictions on fund transfers, the economic conditions were not so favorable and then there was the oil shock," explained Credit Suisse vice president Armin Wiederkehr.

The logical alternative was Luxembourg, he said, where good profits could be seen in Euroloan refinancing. Unlike Switzerland, Luxembourg has no withholding tax on loans of over 12 months.

For the Swiss banks, Luxembourg's market growth was to prove formidable. During the 1970s, the number of banks domiciled in Luxembourg grew from 37 to its present figure and the balance from 236 million Luxembourg francs to 3.6 billion francs. With growth rates between 16 and 60 percent, Luxembourg outstripped the meteoric development of the Euromarket itself.

Pumping their fiduciary deposit investment through Luxembourg to eager Eurobanks, the Luxembourg subsidiaries of Swiss banks flourished. Credit Suisse Luxembourg's balance sheet rose to 2.76 billion Swiss francs last year from 431.1 million francs in 1975. Parallel developments can be seen in the balance sheets of other Swiss banks represented.

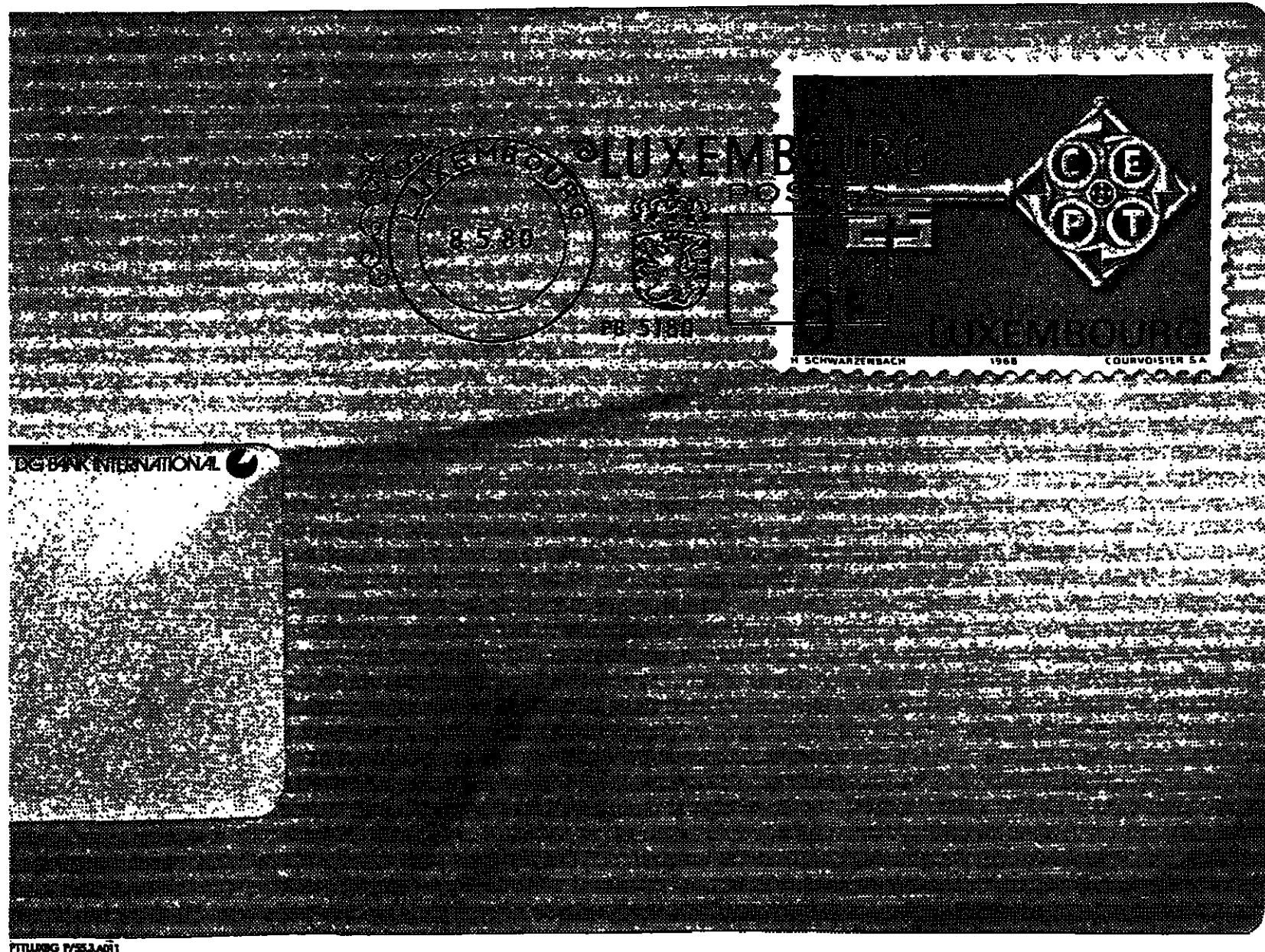
Big Borrowers

Business is primarily between banks with no time wasted on small transactions that just take up valuable time of the small, efficient groups of personnel going after the big borrowers. The banks are not in the business of changing traveler's checks. The Swiss banks carry out their business with only 200 employees.

There is some question, however, whether Swiss banks will be allowed their Luxembourg subsidiaries to grow as rapidly in the 1980s as they did during the last decade.

Switzerland is about to introduce consolidated bank accounts which will mean an incorporation of business done through foreign subsidiaries into capital ratio calculations. No longer free of Swiss capital requirements, the channeling funds through a Luxembourg subsidiary may not prove so attractive in the future.

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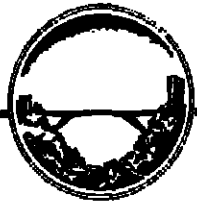
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A Battered Euromarket Is Thriving Despite a Difficult Year

By Karen W. Aronson

NEW YORK (NYT) — For the Euromarket, 1979 was a rough year. Central bankers loudly threatened to regulate it. The American freeze of Iranian assets raised questions — still unanswered —

about the solidity of Euromarket loan agreements. Fierce competition from large banks pushed fees down to the level of unprofitability, and the plunging value of the dollar virtually closed the market on several occasions.

But through it all, volume contin-

ued to grow, with borrowing, either through bank loans or bond issues, rising to \$95 billion from \$84 billion the year before. And bankers are optimistic about the coming decade, although more and more they are searching for innovative ways to insulate the currency-sensitive mar-

kets from the dollar's volatility.

"The Euromarket at large has reached a size and maturity which demonstrates that it is not a passing phenomenon," said Zissimos Frangopoulos, a vice president at the Chemical Bank.

The Euromarket consists of transactions done in a currency outside of its country of origin. As the foreign branches of American, West German, Japanese and other banks accept dollar deposits and relend them, the business gets credited to

the Euromarket. Most of such activity centers in London.

Euromarket business is also carried out in West German marks, French francs, Kuwaiti dinars and other currencies. Roughly 70 percent of the Euromarket business, however, is conducted in dollars. For all of its problems, the dollar is still the Western world's central currency.

One large source of Euromarket funds in recent years has been the huge amounts of dollars accumulat-

ed by the oil-producing nations. Many of these so-called petrodollars are deposited in European banks or European branches of American banks.

The banks, in turn, gather together in groups known as syndicates, to loan huge pools of these funds both to corporations and countries. Oil-importing countries, faced with ever-larger oil bills, have been particularly active Euromarket borrowers. But the increasing size of the oil cartel's surplus is a major concern of the banking community, which fears the system will become encumbered by a deluge of petrodollars.

"It is now an enormous international marketplace," said John Hennessy, president of First Boston International Ltd. "People use it from the Philippines, Iceland, Japan. In many ways it is a much better market than the American one, because it doesn't have all these rules."

Last year, such American corporations as the General Motors Acceptance Corp. and the Galveston-Houston Co. ventured into the Euromarket for the first time. Other newcomers included American savings and loan associations. Most of the new participants were attracted by the occasional opportunity to secure lower interest rates and the chance to broaden their financial backing.

Effort at Control

The larger the market has grown, the more it has attracted the attention of central bankers and other regulators who are concerned over its relative freedom from controls.

Furthermore, they fear, it is a market that could be affecting not only foreign-exchange patterns but also the very working of economics and monetary policy within their own countries. Last spring, the U.S. government led an effort to place some form of controls on the market. While there continues to be sporadic discussion, no steps have been taken.

"Central bankers are looking more at their own banking systems," John Spurdle, senior vice president at Morgan Guaranty Trust Co. said. "They are looking at capital adequacy and the soundness of their banking structures."

At the same time that these outsiders have been considering ways to restructure the markets, the fabric of the markets has been changing from within. Once dominated by American bankers and investment bankers, last year belonged to large "universal" banks, mostly from Japan, Switzerland and West Germany.

The universal banks, which had been slower to join in during the formative years of the market, have competed hard for new business as a means of loaning their dollars. The result was that fee "spreads" inched down steadily.

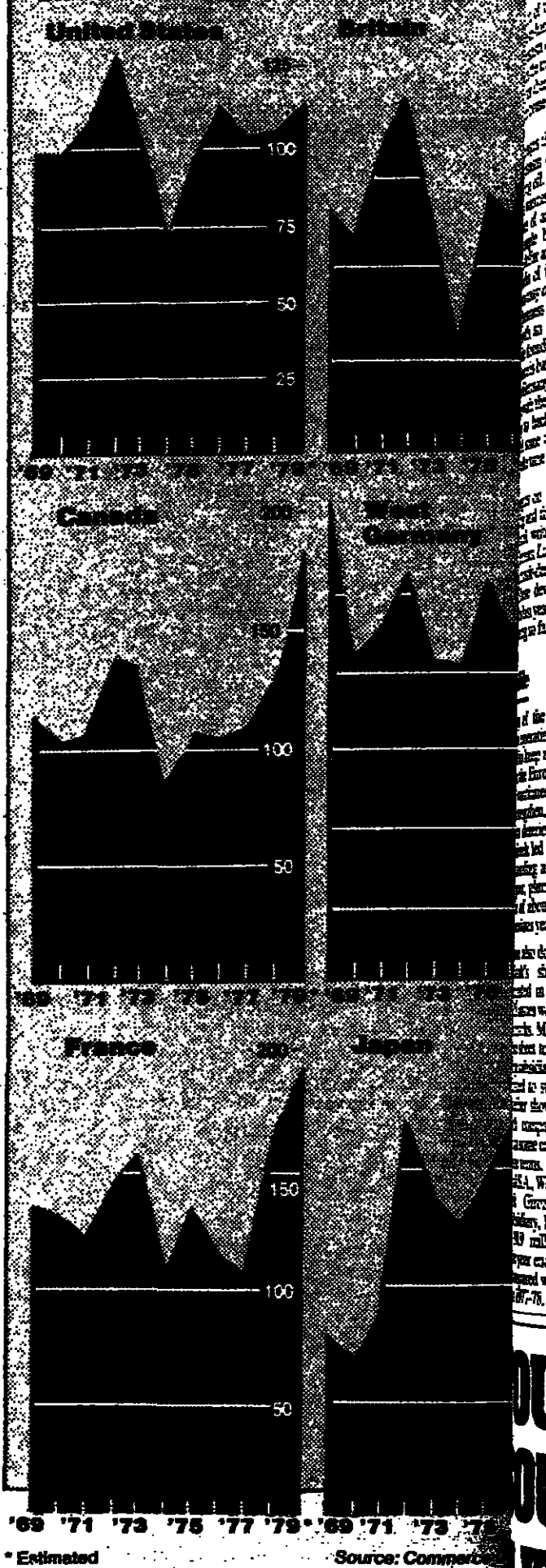
Lesser quality borrowers, as well as the blue chips, were able to share in that bounty. At the beginning of last year, the American banks had all but backed out of the market, claiming they could not operate on slim or sometimes nonexistent profit margins. But gradually they have edged back in, participating in some of the low-fee loans so as not to lose valued customers.

Now, some of them are hopeful that the fee pendulum will swing back toward the bank. Their hopes were aided near the end of last year, when the Japanese Ministry of Finance told its banks to pull back from Eurofinancing, which lessened the competitive pressure somewhat.

Perhaps the biggest source of change in the market, however, has

An Erratic Decade for Stock

Stock index, 1967-1979



* Estimated Source: Commerce

came from the volatility of the dollar. When the dollar plummeted, it is virtually impossible to sell dollar-denominated issues to investors, and this shuts down much of the activity in the Eurobond business. Not only are the underwriters skittish about getting stuck with losses on dollar issues, but investors simply have not been willing to buy them.

A different kind of market shock

came from the American Iranian assets. Although it had some jitters during its revolution, as lenders whether the new government shoulder payments on its debt under the shah, then it not to be a serious problem. American freeze actually Iran from making pay these loans, and has a string of lawsuits from be-

BAYERNLUX REPORTS

Highlights from the Financial Statement as of September 30, 1979

	DM million
Balance Sheet Total	6,473
Advances	6,336
Deposits	6,123
Share Capital and Reserves	143
Net Income	12

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Forex, the London exchange-rate forecasting service, predicts further appreciation of the West German mark with the Belgian franc coming under serious pressure, while France and Italy try to hold their currencies in line with very high interest rates and exchange controls.

The principal reason why Western governments are having difficulty keeping the new monetarist faith, is that it takes at least two years before a tight-money policy starts to yield dividends by bringing down the rate of inflation.

Now, some of them are hopeful that the fee pendulum will swing back toward the bank. Their hopes were aided near the end of last year, when the Japanese Ministry of Finance told its banks to pull back from Eurofinancing, which lessened the competitive pressure somewhat.

Perhaps the biggest source of change in the market, however, has

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The key balance sheet figures
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		1979	1978
Balance sheet total	DM	6,076m	4,734m
Due from banks	DM	2,315m	2,225m
Due from customers	DM	2,622m	1,364m
Due to banks	DM	5,260m	3,906m
Due to other creditors	DM	420m	359m
Equity capital	DM	179.1m	167.4m
Net income for year	DM	12.7m	11.6m

Based on exchange rate of Lux.Frs. 16.8209=DM1.-
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'No Strings' Banking Begins to Spur Boom

By Ann Crittenden

NEW YORK (NYT) — A Hong Kong banker who specializes in helping wealthy Asians invest their money in the United States was recalling one of the more memorable moments of his career with a California bank there.

"I once had a Filipino come in and dump a suitcase on my desk," he told a visiting reporter recently. "When he opened it, out came one million dollars in cash in every currency you could name. He was a courier for one of President Marcos' associates."

Halfway around the world in the Bahamas, a top executive of a leading international bank consortium confided to a visitor a while back that his outfit managed a shell company that siphoned off part of the profits from the export of "about 30 percent of the world's booze." That very day, he added, he was meeting with a representative of several rock music groups who wanted to put half a million dollars into Eurobonds and have the tax-free interest earnings paid into the musicians' private offshore companies.

The uses of the offshore banking business are endless, and, judging by the explosive growth of these centers, their attractiveness as havens for flight capital has blossomed in today's climate of financial uncertainty. According to most experts, however, the centers are far more important for their role in the Eurocurrency market, as places where banks can attract funds and book loans far from the inquiring tax authorities closer to the banks' home offices.

The Eurocurrency market, made up of monies deposited outside their country of origin, have swollen to an estimated size of more than \$1,000 billion, almost 10 times its size in 1971. No one really knows how much of those funds are accounted for by such offshore locations as Luxembourg, the Bahamas, Bahrain and Singapore, but a recent calculation by Ian McCarthy, an economist with the International Monetary Fund, gives them about one-third of the total.

The offshore centers are characterized as places where taxes and restrictions on bank activities have been reduced or removed in an effort to attract the jobs and the local expenditures that come with international banking business. At the latest count, more than 20 such tax-free banking havens existed around

the world, playing host to more than 1,000 foreign banks. Some, such as the Bahamas and the Cayman Islands, are largely paper centers whose "banks" consist of brass nameplates tacked up outside lawyers' offices. In others, including Hong Kong, real banking business is transacted, but without the usual limitations applied by almost all governments.

The most important advantage of these centers is the absence of taxes, either on bank earnings or on interest paid to depositors. Moreover, the centers impose no ceilings on interest payments and no reserve requirements on credits extended, enabling offshore banks to attract and lend funds more competitively, and with more discretion, than can their parent institutions in New York, Bonn or Tokyo.

"The controller of the currency has people in London, but he is unlikely to send them to Bahrain," said Fred Kloppeck, a former head of international research at the Federal Reserve Bank of New York and now a consultant with a major French bank. "So there are reasons other than tax for the banks to expand their offshore operations."

Companies and individuals with income that they would rather not report can find the center convenient as well. In most, secret accounts and dummy companies can be established, funds and profits allocated to them, sometimes in daisy chains involving a dozen companies, and the money then transferred closer to where it is to be spent.

The queen of the offshore centers is Nassau, the heart of the Bahamas, where the assets of 263 foreign banks there, currently more than \$100 billion, almost outstrip the amount of Eurodollars held in London. American banks use the island as an important booking center for Eurodollar loans, particularly those made to Latin America. Since Mexico and Brazil are two of the heaviest borrowers in the world, that means that Nassau, where bank branches escape United States state and local taxes, makes a substantial contribution to the earnings of American banks.

In Europe the significant center is Luxembourg. And in the past four years the Gulf country of Bahrain has emerged as the key offshore center between Europe and Far East; it is a major recipient of petrodollar deposits.

A Roundup of Major Offshore Banking Centers

Country	Terms of Entry	Taxes	Number of Banks (1979)
Anguilla	Unregulated; no capital requirements	None	100
Bahamas	Few restrictions; no capital requirements	None	263
Bahrain	Usually limited to major international banks; no capital requirements	None	37
Cayman Islands	Few restrictions; no capital requirements	None	260
Hong Kong	Foreign banks began to be licensed last year; no capital requirements	10% withholding tax on interest paid	74
Lebanon	Strict capital requirements	None	78
Luxembourg	Strict capital requirements; major banks favored	40% corporate tax; 40% city tax; 30% liquidity ratio	92
Netherlands Antilles	Few restrictions; no capital requirements	3-6% profit tax; no liquidity requirements	43
Panama	\$250,000 capital requirement	None	66
Singapore	\$3 million† capital requirement; major banks favored	10% profit tax	66
United Arab Emirates	No capital requirements; major banks favored	None	55

† Estimated. ‡ Singapore dollars.

Dresdner Pioneered the Way for German

By Alan Tullier

LUXEMBOURG (IHT) — The Compagnie Luxembourgeoise de la Dresdner Bank AG, of Dresdner Bank International, was the pioneer of the German banks move into Luxembourg.

The 12th year of business for the bank which ended last spring resulted in profits of 1.16 billion Luxembourg francs. The fourth quarter last year and the first quarter of this year were bad for all banks for reasons of conjuncture, but the Dresdner's offshore bank thinks that profits for 1979-80 will show only a very small decrease.

Managing director Volker Burghagen said: "Certainly, 1979-80 is not going to be as good, but I expect we will reach four digits (1 billion Luxembourg francs)."

The Dresdner is the biggest bank on the Luxembourg marketplace with assets now standing at around 19 billion Deutsche marks (the Deutsche Bank is second with DM17.5 billion and the Commerzbank third with DM16 billion). Its arrival was much more discreet and the very name was chosen to dampen any suspicions about a German invasion.

Reason for Plunge

Why did Dresdner take the plunge? Mr. Burghagen explained that it was not because Luxembourg was any kind of tax haven or that it was a leading financial center at the time.

The decision was made in order to follow the German export industry (strange as it may now seem, in 1967 no German bank had any foreign subsidiary and the Dresdner's move to Luxembourg was the first anywhere).

The choice of Luxembourg was

based upon a number of considerations — Britain was not then an EEC member, Zurich at the time was virtually closed to foreign banks, New York was thought to be too far (Dresdner is now in New York, Chicago and Los Angeles, while the Luxembourg subsidiary now has its own branch in Zurich).

"Luxembourg was the smallest risk. It was cheaper than London at the time, there was no language barrier, it had liberal banking laws, no excessive taxation and, above all, no minimum reserves requirement," Mr. Burghagen stated.

Yet the first step was a cautious, almost reluctant one with a staff of seven in a residential building. The bank just did not know whether it would pay.

Dresdner thinks it has been able to maintain its profits because of diversification. It does have a wider range of activities than the other German banks in the Grand Duchy and has tended to protect itself against interest fluctuations.

The Dresdner strategy meant giving a certain priority to gold last year and the bank thinks gold will

be interesting again in the foreseeable future.

It has been into DM bonds in the past few months, has a sizable dollar bond business and has expanded its position in international loan syndication.

Yet, as Dresdner points out, banks look at the local tax situation at times of lower profits and they and other banks have asked the Luxembourg authorities to improve the tax climate by introducing new regulations to reduce costs. As one staff member pointed out: "Singapore is becoming a favorite with Germans because of low corporate income tax and double taxation agreements. Once a corporation goes to a 15 percent area it will never return."

That is a debating point since no German bank is thinking of leaving Luxembourg where the Germans have created the Euro DM market and which serves as a basis for worldwide business. The Dresdner board member in charge of international banking, Manfred Meiser-Freschary, said recently that the limited role of serving the export in-

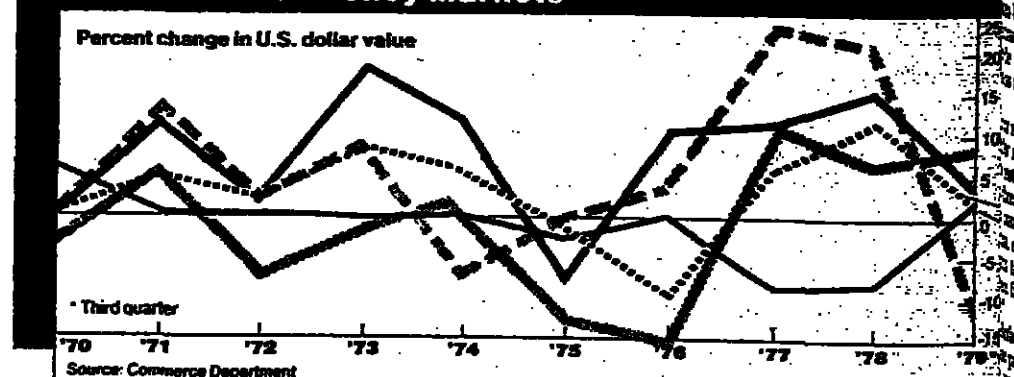
dustry had given way to a more broadly increased international and a whole range of services.

Dresdner in Luxembourg is pretty much as an international bank with a mixed German and Luxembourg staff. Mr. Burghagen is happy that "Luxembourg is more a name in banking and that our worldwide."

Statements by U.S. authorities about bringing in export controls, i.e., the U.S. and its allies, are not a good thing for the German banks. The U.S. would have to be the first to open up in all countries and the opposition to such a move is pressed in Switzerland. Without uniform regulations, the U.S. would be switching to other centers already in the world.

The "smallest risk" in Luxembourg, which, after Dresdner, 13 years ago, was for a lot.

Turmoil in the Currency Markets



WestLB International

Financial Highlights as per September 30, 1979

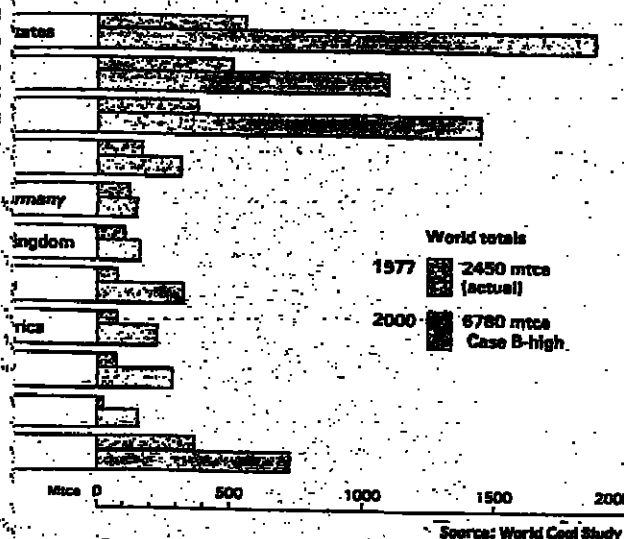
	in million US\$
Balance Sheet Total	4,086
Amounts due from banks	1,368
Loans and advances to customers	2,077
Advances to non-banking finance establishments	264
Securities	233
Amounts due to banks	3,647
Current deposits and other accounts	139
Share capital fully paid	58
Reserves after allocation of profit	82
Profit	20

The unabridged annual statement as well as the profit and loss accounts will be published in the "MEMORIAL, Amtsblatt des Großherzogtums Luxemburg, Ausgabe C" (Official Gazette of the Grand Duchy of Luxembourg, edition C).

WestLB International S.A.
32-34, boulevard Grande-Duchesse Charlotte
P.O. Box 420
Luxembourg
Telephone: 44 74 11
Affiliate of
Westdeutsche Landesbank
Girozentrale,
Düsseldorf/Münster

مكثان العمل

World coal production, 1977 and 2000



Global Energy Group Meet on Coal Use

Continued from Page 17

The French government is planning to import more coal starting in the

7-page report prepared

by the Massachusetts

Institute of Technology

impressive attention

a world upon its release

The report concluded

that the world will have to

supplement its coal

production by one-half

and two-thirds

additional global energy

by the year 2000. To

achieve this, it recommended

that coal production be

increased by one-half

and a half to three

times world trade in steam

coal by 2000. The report

also noted that the world

will need to produce

about 10 to 15 times

more coal than it is

producing today.

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BUSINESS NEWS BRIEFS

Chrysler Says Losses Might Pass \$1 Billion

DETROIT (UPI) — Chrysler said Friday that its losses for the year might exceed \$1 billion, rather than the \$750 million it previously estimated. The earnings projection, which confirmed earlier government estimates, was included in an updated prospectus that the company released in conjunction with its offering of subordinated debentures to dealers and suppliers.

Last year Chrysler reported a loss of \$1.1 billion; it posted a loss of \$449 million in the first three months of this year. The company said its losses were continuing at about the same rate as the first quarter. Few analysts believe, with the depressed market conditions projected for the remainder of the year, that Chrysler can contain its losses for the last six months of the year to a mere \$100 million.

The updated prospectus was issued just hours after Chrysler announced the closing of the Lynch Road plant and the elimination of some of its full-sized models, which had been produced at the plant.

Liggett Acts to Accept Grand Met Offer

NEW YORK (UPI) — Liggett Group directors voted Friday to accept an improved tender offer that Grand Metropolitan Ltd. of London made the day before, and agreed to begin working immediately on completing the merger.

Grand Met on Thursday increased its bid to \$69 a share from \$50 and Standard Brands, which had made a bid for part of Liggett's business, withdrew its offer. Grand Met and Liggett agreed to drop all pending litigation. Grand Met said it will retain Liggett management under the new setup.

Citroen to Introduce LNG-Powered Van

PARIS (AP-DJ) — Automobiles Citroen, a unit of the Peugeot-Citroen group, said Friday that it will present a liquefied natural gas-powered version of its Diane van at the Paris motor show in October.

The "Acadiane" will initially be proposed to municipal authorities and taxi operators since LNG distributors do not exist throughout France. Should the LNG distribution network expand, the vehicle will be introduced to the rest of the market, Citroen said.

Toyota Applies to Build Small Cars in Taiwan

TAIPEI (AP-DJ) — Toyota Motor, Japan's largest car manufacturer, has applied to produce compact cars in Taiwan in a \$418-million joint venture with Taiwan automakers, it was learned Friday.

Economic officials said preliminary plans call for Toyota to work in conjunction with three Taiwan manufacturers to build 200,000 cars in six years beginning in 1984.

They pointed out that Toyota will hold 45 percent of the shares in the venture, with the remaining 55 percent going to the others. It was estimated that half the cars manufactured would be exported.

Iran to Peg Rial to SDRs

TEHERAN, May 18 (Reuters) — Iran today announced that it was cutting the link between its currency and the dollar, and would instead peg it to the Special Drawing Right.

But Central Bank Governor Ali Reza Nobari, did not say at what level the Iranian rial would be set against the SDR, a basket of major trading currencies set up by the International Monetary Fund.

NOTICE

U.S. \$50,000,000

National Westminster Bank Limited
9% Capital Bonds 1986

Holders are hereby informed that the 1st July 1980 redemption of US\$7,000,000 has been satisfied through purchase in the open market, and the balance remaining in circulation after this date is US\$43,000,000.

THE CHASE MANHATTAN BANK, N.A.
Principal Paying Agent

This announcement appears as a matter of record only

April 1980



Société Nationale des Chemins de fer Français

US\$ 50,000,000

12½% Guaranteed Notes Due 1985

Convertible at the option of the holder until 1985 into

10½% Guaranteed Debentures Due 1995

Unconditionally guaranteed by

The Republic of France

Continental Illinois Limited

Banque de Paris et des Pays-Bas

Caisse des Dépôts et Consignations

Crédit Lyonnais

Goldman Sachs International Corp.

Morgan Stanley International

Orion Bank Limited

Swiss Bank Corporation (Overseas) Limited

Algemeine Bank Nederland N.V.

Bank of America International Limited

Banque Bruxelles Lambert S.A.

Bank of Tokyo International Limited

Berliner Handels- und Frankfurter Bank

Chemical Bank International Group

Continental Illinois Bank (Switzerland)

Crédit Industriel et Commercial

DG BANK Deutsche Genossenschaftsbank

European Banking Company Limited

HSH Sonnet & Co. Limited

Kreditbank N.V.

Lazard Brothers & Co. Limited

Manufacturers Hanover Limited

Samuel Montagu & Co. Limited

The National Commercial Bank (Saudi Arabia)

Nippon European Bank S.A.

Richardson Securities of Canada (U.K.) Limited

Salomon Brothers International

Solelec S.A.

A. E. Ames & Co. Limited

Bank Leumi (UK) Limited

Banque Louis-Dreyfus

Banque de l'Union Européenne

Barclays Bank International Limited

Cassa di Risparmio di Venezia

Citicorp International Group

County Bank Limited

Crédit Suisse First Boston Limited

Dominion Securities Limited

Grosvenor and Bank of the Österreichische Sparkassen Aktiengesellschaft

IBJ International Limited

Istituto Bancario San Paolo di Torino

Kuhn Loeb Lehman Brothers International Inc.

Kreditbank S.A. Luxembourg-Paris

Lloyds Bank International Limited

Merrill Lynch International & Co.

Morgan Grenfell & Co. Limited

Nash, Thompson Limited (London)

Nippon Europe N.V.

N.M. Rothschild & Sons Limited

The Royal Bank of Canada (London) Limited

Société Générale de Banque S.A.

S.G. Warburg & Co. Ltd.

Wood Gundy Limited

Yamaichi International (Europe) Limited

Banca Commerciale Italiana

Banque Paribas International Limited

Banque Nationale de Paris

Bayerische Landesbank Girozentrale

Chase Manhattan Limited

Continental Bank S.A.

Creditanstalt-Bankverein

Daiwa Europe N.V.

Dresdner Bank Aktiengesellschaft

Girozentrale und Bank der Österreichische Sparkassen Aktiengesellschaft

Hankow Bank S.A.

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Scots Vie With Ireland for Investment

By Sandra Salmans

GLASGOW (IHT) — Scotland, whose landscape is dotted with abandoned textile plants, steel mills, shipyards and other relics of the industrial revolution, is lobbying hard to attract investment by high-technology manufacturers from the United States, Europe and Japan.

Through the Scottish Development Agency, the government offshoot formed five years ago to improve Scotland's ailing economy and environment, foreign manufacturers are being offered several kinds of financing, made-to-order factories and other inducements to investing in Scotland.

The SDA's biggest prize to date is Digital Equipment, the leading U.S. minicomputer manufacturer. Recently Digital opened a large factory in Ayr, 35 miles south of Glasgow, at which it employs 500 people. Digital was eager to locate near its important British market, explained David Lawrence, the firm's European systems manufacturing manager, "so Scotland was bound to come up no. 1" as the place to invest.

One of Scotland's major attractions for Digital, Mr. Lawrence added, was the presence of a number of other high-technology firms. In the postwar years up to the 1970s, when investment began to taper off, Scotland attracted many such companies — primarily from the United States but also a few from Europe, such as Philips.

Perhaps somewhat hopefully, SDA's overseas salesmen like to call the central belt of Scotland, the broad swath of land stretching across Glasgow and Edinburgh, "the silicon valley of Europe." Mr. Lawrence said: "The really big computer manufacturers are already here, so it gives you a warm feeling that you can be successful."

While Digital is the only major new entry in this field, the SDA is gratified that the longer-established companies have recently begun to announce significant expansion plans. The firms include National Semiconductor, IBM and Motorola which, all together, are investing in the range of \$100 million in additional capacity in Scotland.

Not all the new factories are in the electronics field, or even technology-oriented. Hoffman-La Roche will shortly open a second plant to manufacture vitamins. And

Levi Strauss, using SDA-built factory space, is boosting production enough to create 1,000 new jobs by the end of 1981.

But the SDA's pursuit of foreign investment has not been a total success. According to SDA chief executive Lewis Robertson, Scotland has suffered a series of "near misses" — usually at the hands of the Irish. The latest loss was a \$100 million synthetic industrial diamond plant, which General Electric decided to erect near Dublin instead. An even greater disappointment to the SDA was the loss of a major investment by Mostek, a leading U.S. microelectronics firm recently acquired by United Technologies.

After seriously considering Scotland for its \$80 million, 1,100-job operation, Mostek opted for Ireland.

Irish Offer Grants

The Irish have more than luck in their favor. Under regulations that apply to only a few areas within the European Economic Community, foreign-owned manufacturers in Ireland pay little or no tax. In addition, the Irish offer generous grants and training assistance. And they do it all through the Irish Industrial Development Authority, a single agency with the full backing of the government.

Scotland, in contrast, is subject to the British government, and the SDA must compete not only with English and Welsh authorities but with regional and municipal Scottish agencies as well. While the SDA will build factories to order, provide a two-to-five-year rent holiday, help a firm get financing or take an equity stake itself, any outright grants are distributed by the British government — and taxes are paid in full.

Thus, admitted Hugh Jack, SDA's director for industry, "if a company is interested in short-term grants, Ireland is probably the place to go." (In fact Digital, for all its enthusiasm for Scotland, established its first European foothold in Ireland, in 1971.)

Another danger area is Britain's own industrialists. A proposed petrochemical complex in northeast Scotland is currently meeting with objections from British producers — notably British Petroleum and ICI — because they fear competition from the would-be developer, Dow Chemical.

The fate of the project — which,

like most North Sea developments, is under the jurisdiction of the British government rather than SDA — has yet to be decided. SDA officials, however, maintain that, so far, none of their imported ventures have encountered similar resistance from British rivals.

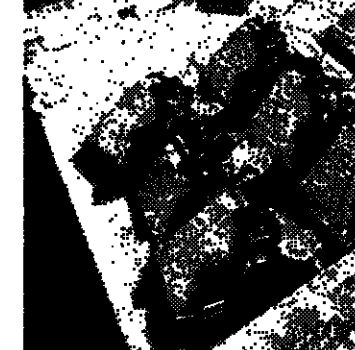
SDA officials, in fact, are optimistic that their momentum is growing. By year-end, the SDA hopes, it will have attracted ten projects, including expansions of current capacity, by foreign manufacturers. "I've no doubt that we've generated a lot of interest," said Mr. Jack. "Inquiries are coming to us quite regularly now."

Due to their history of Scottish investment — and frequently some Scottish ancestry — Americans are the likeliest investors. The Japanese, too, are good prospects. "Europe is probably our most difficult market," said Mr. Le Sueur. Except for a couple of countries, the EEC-toehold argument is irrelevant for Europe. However, the SDA notes, Scotland has skilled engineering workers that Europe needs; even the Irish have come over here to recruit.

In dealing with European manufacturers, the SDA is emphasizing the possibility of financial packages and joint ventures. "We are introducing Scottish companies to potential German and Swiss partners," noted SDA overseas promotion director James Gowrie.

A new ventures unit, set up under Mr. Jack last year, aims specifically at attracting new technology regardless of national origin. If a foreign investor came to the SDA with a hot idea, said Mr. Jack, he would need to put up only 40 percent of the capital — "because a 40 percent stake is essential for the promoter to have enthusiasm in the venture."

The SDA would find Scottish financial institutions to make up the difference and, if need be, take a stake in the project itself.



Polaroid Factory on Vale of Leven industrial estate, Scotland.

All these Bonds have been sold. This announcement appears as a matter of record only.

NEW YORK (AP)—Over the counter trading of stocks, bonds and commodities for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers, Inc., are not actual transactions but are representative of the market. Prices do not include retail markups, markdowns or commissions. Sales supplied by NASD.

Sales In	100s	High	Low	Last	Chg
AEI Ind 1	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2
Accordis	20	74	69	71 1/2	+ 1/2

Sales In	100s	High	Low	Last	Chg
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
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Sales In	100s	High	Low	Last	Chg
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
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Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
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Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4

Over-the-Counter

Sales In	100s	High	Low	Last	Chg
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Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
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Sales In	100s	High	Low	Last	Chg
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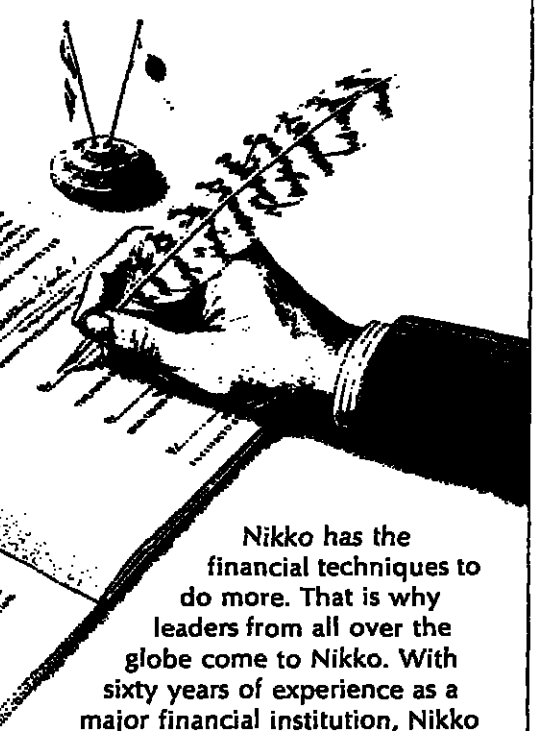
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Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4

Sales In	100s	High	Low	Last	Chg
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Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
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Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4
Alcoa	1219	21 1/4	20 3/4	21 1/4	+ 1/4

Leaders Go With a Leader: Nikko

Tokyo has grown into one of the world's most important capital markets, and Nikko Securities can help you take full advantage of all its possibilities. One of these is Nikko's managing

of yen-denominated bond issues for various governments and institutions from around the world; while in a new departure, Nikko led the syndicate of Japanese securities firms by acting as managing underwriter for public offering of dollar bonds in Tokyo, the first of its kind. By accurately gauging the market situation and each client's needs,



Nikko has the financial techniques to do more. That is why leaders from all over the globe come to Nikko. With sixty years of experience as a major financial institution, Nikko has the resources, the contacts, and the placing power. Above all, Nikko has earned trust and confidence the world over for its truly professional services as a financial adviser and managing underwriter.

An integrated approach to investment and finance

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Overseas Representative Offices: Paris: 10, Rue de la Paix, 75 Paris 2e, France Tel: 261-5744

Singapore: Tower 1203, DBS Building, 6 Shenton Way, Singapore 0106, Singapore Tel: 2233390, 2233398

Overseas Subsidiaries: The Nikko Securities Co., (Europe) Ltd. Royce House, Aldermanbury Square, London, EC2V 7LL, England Tel: 605-7171 Telex: 884717 The Nikko (Switzerland) Finance Co. Ltd. Hohlstrasse 30, 8033 Zurich, Switzerland Tel: 2510050 Telex: 56111 The Nikko Securities Co., (Deutschland) GmbH: Mainzer Landstrasse 49, 6000 Frankfurt am Main, West Germany Tel: 253021 Telex: 416841 The Nikko (Luxembourg) S.A.: 88, Grand Rue, Luxembourg, Grand-Duché de Luxembourg Tel: 42384 Telex: 1348 The Nikko Securities Co. International, Inc. New York, San Francisco, Los Angeles The Nikko Securities Co. (Asia) Limited: Hong Kong Oceania Capital Corporation Limited: Sydney

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Dragages et Travaux Publics



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**S.R. 100,000,000
Seven Year Multicurrency Loan**

Managed by

BANQUE DE L'INDOCHINE ET DE SUEZ

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CRÉDIT INDUSTRIEL ET COMMERCIAL

CRÉDIT DU NORD

GULF INTERNATIONAL BANK B S C

GULF RIYAD BANK E.C.

SAUDI INTERNATIONAL BANK

Al-Bank Al-Saudi Al-Alami Limited

Agent

BANQUE DE L'INDOCHINE ET DE SUEZ



April 1980

Treasury Bills

Rate	100s	High	Low	Last	Chg
4.50	100	100	100	100	0
4.75	100	100	100	100	0
5.00	100	100	100	100	0
5.25	100	100	100	100	0
5.50	100	100	100	100	0
5.75	100	100	100	100	0
6.00	100	100	100	100	0
6.25	100	100	100	100	0
6.50	100	100	100	100	0
6.75	100	100	100	100	0

Consolidated Trading

Rate	100s	High	Low	Last	Chg
4.50	100	100	100	100	0
4.75	100	100	100	100	0
5.00	100	100	100	100	0
5.25	100	100	100	100	0
5.50	100	100	100	100	0
5.75	100	100	100	100	0
6.00	100	100	100	100	0
6.25	100	100	100	100	0
6.50	100	100	100	100	0
6.75	100	100	100	100	0

Midland Bank Limited

**U.S. \$50,000,000 Floating Rate
Capital Notes due 1982**

For the six months
15th May, 1980 to 17th November, 1980
the Notes will carry an
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The Notes are listed on The Stock Exchange in London.

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Mutual Funds

NEW YORK (AP)—

The following quotations, supplied by the

National Association of

Securities Dealers, Inc., are the

net asset value or

the fund's value per

share as of the close

of business on May 16, 1980.

(Not Asset Value) or

the fund's value per

share as of the close

of business on May 16, 1980.

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the fund's value per

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the fund's value per

share as of the close

of business on May 16, 1980.

Padres Win on Jones' 3d Straight Shutout

Sales in		Not	
100%	High Low Last Ch'ge	100%	High Low Last Ch'ge
2034	2034	2034	

[illegible]

Larry Harlow each knocked in two runs during an eight-run, third-inning outburst that lifted California to an 11-1 victory over Kansas City.

In Cleveland, Fred Lynn scored once and doubled home another run and Tom Burgmeier earned his sixth save in pacing Boston to a 2-1

Orioles 2, Tigers 1

In Detroit, Dan Graham lined a single to center to score Ken Singleton from third base with the tie-

Mariners 4, White Sox 2
In Chicago, Jim Beattie and

Shane Rawley combined on a five-hitter and Jim Anderson had a two-run single in the third inning to lift Seattle over Chicago, 4-2.

Friday's Games Garber (7), Hrobsky (8) and Benedict, W—Fal- Matlock and Sundberg; T.J.

In Bloomington, Minn., Roy Smalley's double and Rick Sefeldt's single drove in two runs in the eighth to rally Minnesota to a 4-3 victory Milwaukee.

*More Sports
On Page 23*

WINZEN
CANADA
Invest in income properties
WE OFFER:

- Individual apartments from \$40,000-
\$130,000 Canadian dollars.
- Guaranteed income up to 8% percent.

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Received 15 July 1998

...the ...

[illegible]

At the end of the week, this is a compilation of senior level job opportunities from selected publications. Senior level jobs published in the International Herald Tribune through Tuesday automatically appear in this feature.

LONDON - Kensington Escort Service, Tel: 01 402 6060 or 602 4477, 11am-11pm.

VIENNA - MICHELLE ESCORT SERVICE, Tel: 52 47 46.

VIENNA - 1971-1973, Escort Service, Everyday, 10 am to 9 pm.

VIENNA-HARMONY Escort Service, Tel: 22 21 41 after 6pm.

MADRID MULTIRUSSIAL Escort Service, 245 30 37, 10.30 am to 10 pm.

MUNICH Escort Service, Tel: 01 21 33 55 91.

FRANKFURT - MESSADEIN - MAANZ Escort Service, Tel: 01 21 33 55 91.

FRANKFURT - SABINA ESCORT SERVICE, Tel: 0611-297273.

FRANKFURT - FRANKFURT, Wiesbaden Escort Service, Tel: 01 21 33 55 91.

FRANKFURT - MAINTALMILITÄR Escort Service, Tel: 0611-297273.

GENEVA - CANNELLE Escort Service, (International Afternoon) 01 22 27 38.

LONDON COSMOPOLITAN Escort Service, Universal Escort Service, 262 3108.

LONDON - HARMONY ESCORT SERVICE, Tel: 01 402 7249.

LONDON - TANJA ESCORT SERVICE, Tel: 01 402 7249.

VIVA Escort Agency of London, Tel: 01 402 7248.

VIENNA ESCORT SERVICE, London and Heathrow areas Tel: 01 754 6261.

MELANIE ESCORT AGENCY, London Tel: 01 754 6261.

AMSTERDAM (11 am-12 noon), Tel: 020 227765.

AMSTERDAM 10.30 to 7.30pm, Tel: 020 227765.

AMSTERDAM 8.00 to 10.00pm, Tel: 020 227765.

ESCORT IN PARIS Escort Service, Tel: 520 735.

VIENNA ESCORT SERVICE IN PARIS, Tel: 75 74 65.

GENEVA - HIKKA Escort Service, Tel: 01 22 27 38.

BRUSSELS - Julie Escort Service, Tel: 640 32 38, 10 am - 7 pm.

MANNHEIM ESCORT SERVICE, Tel: 061-55 26 98.

FRANKFURT - MANNA Austrian Escort Service, Tel: 575046.

MANNHEIM - MANNHEIM Escort Service, Tel: 0611-596665.

MUNICH (089) 225665 Escort Service, Ladies and male.

MUNICH - COSYA GIRL Escort Service, Tel: 01 584 6513/2749.

PARIS - MARLENE INTERNATIONAL Escort Service, Tel: 01 47 37 70 70.

PARIS - KATRINE ESCORT SERVICE, Tel: 842 33 18, 9.12 am, only.

ZURICH ESCORT SERVICE, Tel: 850 54 83, 10.30-12.00.

ZURICH - Tel: 0049-6109-82048.

Omeged Escort Service/Germany, London, Queens Road, Tel: 422 5314.

Omeged Escort Service/Germany, London - 12 pm, Tel: 226 5314.

MADRID ESCORT SERVICE, Tel: 422 37 29.

FIRST NOTICE TO HOLDERS OF FLOATING

The Board of Directors.

DECLARATION

The Board of Directors.

[illegible]

ESCORTS & GUIDES	ESCORTS & GUIDES	ESCORTS & GUIDES
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LONDON AARANDA
 Escort Service, Tel. 938 1299.

● PARIS

International Escort Service 766 41 94.

LONDONA - Kensington Escort Agency.
 Tel. 01 602 0600 or 002 6477, 11 a.m.-11 p.m.

VIENNA - MICHELE ESCORT SERVICE.
 Tel. 57 40 64.

MADRID - MADRID ESCORT SERVICE. Every day, 10 a.m. to 9 p.m.
 VIENNA-HAENDLER Escort Service. 11 a.m. to 11 p.m.

MADRID MULTILINGUAL Escort Service. 245 30 57, 10.30 a.m. to 10 p.m.
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FRANKFURT - MANNING - MANNING - MANNING Escort Service. 06121-846666.
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HELGA-FRANKFURT - Wiesbaden Main Escort Service 0611/282778.

FRANKFURT MULTILINGUAL Escort Service. Tel. 0611 622292.

GENEVA - CANNELLE ESCORT SERVICE. Multilingual. Tel. 022 22 07 89.

LONDON COSMOPOLITAN English - Universal Escort Service. Tel. 01 402 7795.

LONDON ESCORT SERVICE. Tel. 01 402 7795.

VIENNA - TANIA ESCORT SERVICE. Tel. 01 721-4345.

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ENGLISH ESCORT SERVICE. London and Heathrow areas. Tel. 01 754 6281.

ESCORT SERVICE. Tel. 01 754 6281.

LONDON 002 2000 11 a.m.-midnight.

AMSTERDAM - NEW AMSTERDAM Escort Service. Tel. 20 73603.

AMSTERDAM-JB Escort Service. Tel. 01 20 227 785. Buiten Wieringencanalen 2.

ESCORT SERVICE. Tel. 01 20 737 88.

MANHOLDS ESCORT SERVICE IN GENEVA - Tel. 022 35 81 88.

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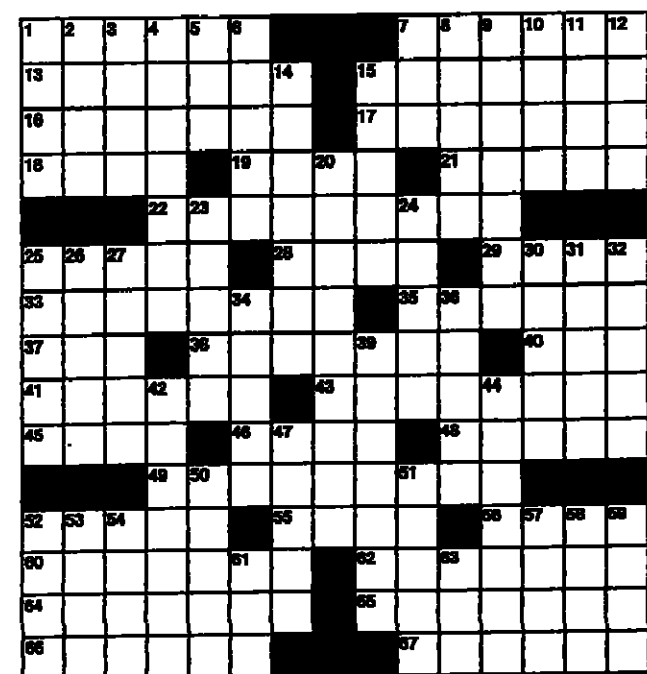
ZURICH ESCORT SERVICE. Tel. 850 54 12, 12 a.m.-12.59 a.m.

ZURICH - Tel. 0049-6100-62048.

Omega Escort Service/Germany, London, Dublin Escort Service. 12 a.m. to 12 p.m. Tel. 203 99 99.

MADRID ESCORT SERVICE. Tel. 442 37 29.

CROSSWORD By Eugene T. Maleska



- ACROSS**
- Threaten
 - N.H. prep school
 - Certain English collegian
 - Raise in rank
 - Order from on high
 - She was told "No, no"
 - Bread spread
 - Alba of Israel
 - Ryan of the movies
 - Sci-fi group
 - Desert traveler
 - Santa's concern
 - Service org.
 - Washington, D.C., university
 - Military trench digger
 - Big (Cornell)
 - Author of "Sister Carrie"
 - Chou En—
 - Small flycatcher
 - Lands occupied by the Ottoman Empire
- DOWN**
- Scottish Gaelic
 - Allowance for waste
 - Sweetens the pot
 - Island music makers
 - Prefix with fascism
 - Two of a kind
 - ...one whose name was—in water?—Keats
 - Site of Dante's tomb
 - Hairy, as a plant
 - Native of a European peninsula
 - Minnesota moonshiner
 - Little swimmer
 - Shoplifts
 - Kind of pad
 - Inclusive abbr.
 - And then there were
 - Old rival of 7 Across
 - Washington org.

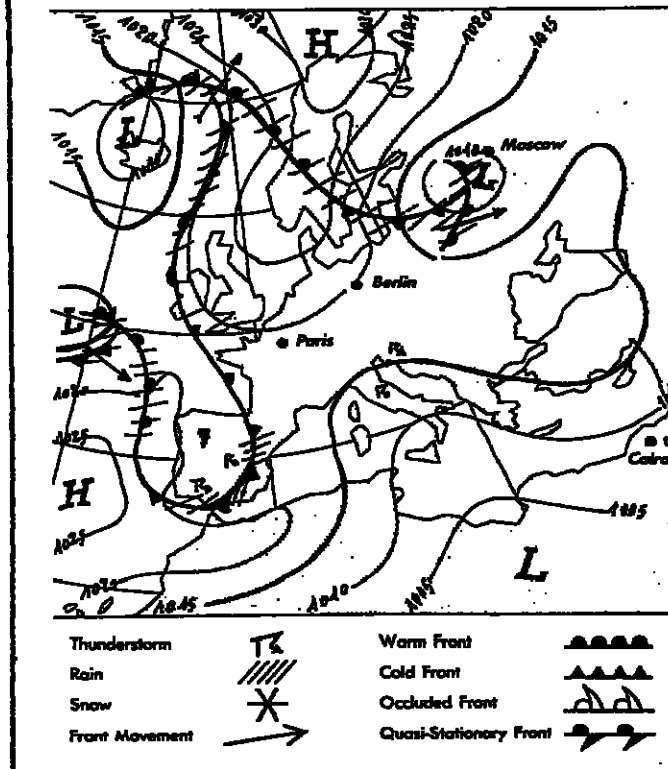
Solution to Friday's Puzzle

STUPIDLY SHAMED
CONTINUING PATIENCE
OBTAINED AGENDS
REI WENGER'S OTT
CRAB SNEAK PROCA
HOMES AAS DUCIG
LIDIO THERIAUD
RAPING FRIENDS
EVENING FLIT
LENDIA APL CELIA
BETIA DUCIA SUBS
GIAI DUCIA SUBS
AGEMAS INACTIVE
ESTRAY SLATTERED

WEATHER

	C	F		C	F	
ALGARVE	17	63	Fair	MADRID	18	64
AMSTERDAM	21	70	Fair	MILAN	22	72
ANKARA	22	72	Fair	MONTREAL	12	54
ATHENS	21	70	Cloudy	MOSCOW	18	63
BEIRUT	22	72	Cloudy	MUNICH	10	50
BELGRADE	14	57	Cloudy	NEW YORK	14	57
BERLIN	19	64	Fair	NICE	17	63
BIRMINGHAM	20	68	Fair	PARIS	15	59
BUCAREST	18	64	Overcast	PRAGUE	11	52
BUDAPEST	15	59	Overcast	ROME	14	57
CASABLANCA	20	68	Fair	SALZBURG	15	59
COPENHAGEN	21	70	Fair	STOCKHOLM	20	68
COSTA DEL SOL	22	72	Overcast	TEHRAN	28	82
DUBLIN	14	57	Overcast	TEL AVIV	29	84
EDINBURGH	17	63	Fair	TOKYO	15	59
FLORENCE	16	61	Cloudy	TUNIS	19	66
FRANKFURT	20	68	Cloudy	VIENNA	13	55
GENEVA	17	63	Fair	WASHINGTON	19	66
HELSINKI	12	54	Rain	ZURICH	14	57
HONGKONG	28	82	Cloudy			
ISTANBUL	21	70	Fair			
LAS PALMAS	21	70	Cloudy			
LISBON	21	70	Cloudy			
LONDON	19	64	Fair			
LOS ANGELES	25	77	Cloudy			

Situation Forecast for Noon G.M.T. Monday



Wolf-Dog Exotic But Unfriendly Pet

DINOSAUR NATIONAL MONUMENT, Colo., May 18 (AP) — Tired of the usual dogs, cats and canaries? Try a wolf-dog, bred by Mary McBee of Teton Wolf Hybrids.

Mrs. McBee says the animals, usually 25 percent to 40 percent wolf, are "a dog for people who are interested in wolves yet want a pet." She raises the animals with her husband, Don, district ranger at Dinosaur National Monument in northwestern Colorado on the Utah border.

Though the crossbreeding helps to eliminate congenital sight and hearing problems associated with some dog breeds, Mrs. McBee warned that wolf-dogs are not as affectionate as Fido, do not make good watchdogs and tend to not get along well with very small children.

And the breed's special needs include a wolfy digestive tract that prefers meat to dog chow, a preference that is spelled out in a formal agreement that the McBees demand of every buyer.

PEANUTS



B.C.



BLONDIE



BEETLE BAILEY



ANDY CAP



WIZARD OF ID



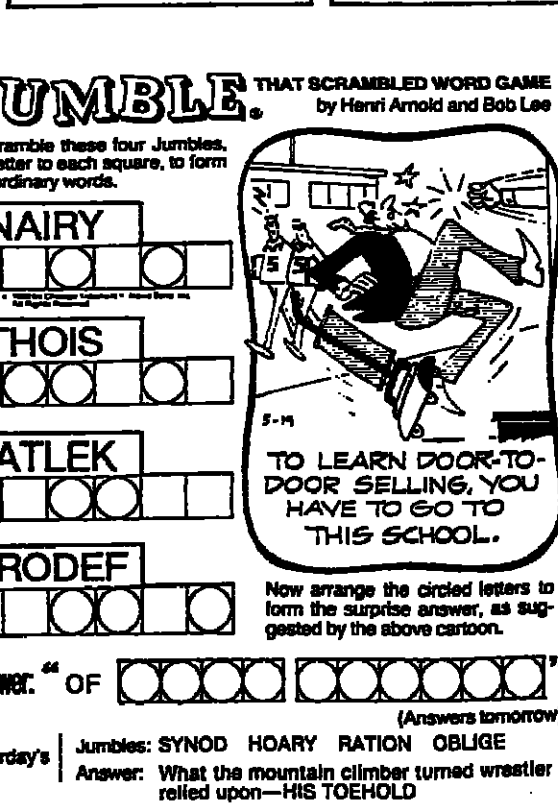
REX MORGAN



DOONESBURY



JUMBLE



DENNIS THE MENACE



BOOKS

HAVELOCK ELLIS

A Biography

By Phyllis Grosskurth Knopf. Illustrated. 492 pp. \$16.

Reviewed by John Leonard

ABOUT midway through this entertaining, caustic, exasperated and ultimately sympathetic biography, Phyllis Grosskurth is describing a difficult season in Havelock Ellis' only sanctified marriage. He had married Edith Lees, a third-rate writer, a nervous wreck and a lesbian. Edith's affair with Claire "had cooled to a comradely friendship," but Lily, an artist, had become her "holy star." Of Ellis, we are told:

"He totally accepted the situation, and even surrendered his Hawkes Point studio for intimate pleasures above all he listened understandingly to Edith's raptures and eventually comforted her in her grief over Lily's sudden death from Bright's disease in June, 1903. Edith was devastated by the loss, particularly as Lily's family would not let her see her darling during her last days and someone told her that Lily had made fun of her behind her back. She treasured every sacred keepsake associated with her friend, particularly her brooch, which Ellis was careful to see that she wore when she was cremated. She became addicted to spiritualism, convinced that Lily would communicate with her from the other world. For all his scientific detachment, Ellis sympathized with her obsession and helped her with a selection of love poems for an anthology, 'The Lover's Calendar,' published in 1912."

Reading such a passage, one inevitably wonders whether Havelock Ellis was a silly man. Tall and squeaky-voiced, self-educated, impotent, bearded like a god and fact-minded like the Victorian shades of Darwin and Frazer—with whom he compared himself, he was certainly a naïf. His many books on sex were written from the library and the questionnaire; he believed whatever he was told. Irresistible when they pressed the point of their passion, innocent equally of politics and coins, he missed the point of Hitler and resented his contemporary, Freud, whose theories about dreams and Oedipus he deemed nonsensical.

Oedipus, perhaps, is decisive. Grosskurth, professor of English at the University of Toronto and the author of a well-regarded biography of John Addington Symonds, clearly identifies Ellis' problem as "urogagnia." Urogagnia is difficult to define in seventy terms. It means, more or less, one's sexual excitement on bearing witness to someone else's urination. According to Grosskurth, Havelock's mother—otherwise a morbid Christian—on at least two occasions seduced him with what he would later call "a golden stream" and a "rainbow." His subsequent relations with women, and there

were many, seem to have been fined to mutual masturbation, fervid letters afterward, moreover, incestuous long his sister.

That his biographer should escape in making us share his thy for him is a considerable achievement. His autobiography, "Life," was evasive. His worst terror, his "Dance," had two left feet. And yet, respects, he was a "Moder" insisted on the sexual fulfillment, and even superior to men fulfillment, and he was bothered by "inversion," referred to characterize his thy. For Ellis, everything was tary. The only difference the animal kingdom and us was feminism.

His "Science" amounts much more than magazine and footnotes. His "Art" Pater and bad Heine. Freud's daring and tragic almost as if he denied the of pathology in order to himself. He acquiesced disloyalty of others as if, ther, he had always been, at sea during the domestic heavens of libido. He pros any old sexual arrangement new one, was permiss healthy because he sought alize the mysterious, to the anarchic. The entire of 19th-century ration blood and soil and power escape him. He was Socialist, who understood Socialism nor jealousy.

And yet: He was kind unbelievably forbearing wanted sex; he would r Edith wanted women; he Franciscan wanted monks ultimately understood. What Margaret Sanger Grosskurth makes it clear control was never a maj Ellis' agenda because he in any danger of having it. The poet J.D. (Hills) and the novelist Bryher (Ellerman) had their ow prosecute. Ellis was mere stream of benevolence.

He did his best to beling to principles that we time and place, liberated revolution in sex could to England only in the man who never com course in the subject, a I never made it to Galap for gave the women in his skurth forgives him, and good about it. Freud, al 20th century.

John Leonard is on the New York Times.

CHESS

By Robert

ONE of the accomplishments of the Louis B. Statham International Tournament in Lone Pine, Calif., is to pit promising young masters against world-class players. This year, four Americans—Ronald Hamilton, Douglas R. Jones, Jay Whitehead and Michael Wilder—look advantage of the opportunity to achieve norms toward the international master rank.

For 17-year-old Wilder of Princeton, N.J., this was the final norm he needed, and he is expected to be accorded international master rank at the next International Chess Federation congress in Malta in November.

Wilder defeated Grandmaster Eugene Ermenkov of Bulgaria, Lev Alburt of New York and Walter Browne of Berkeley, Calif., and drew with Grandmasters Eugenio Torre of the Philippines, Yuri Balashov of the Soviet Union, Oscar Panno of Argentina and Larry Christensen of Modesto, Calif. His two losses were to Whitehead and the British grandmaster, Anthony Miles.

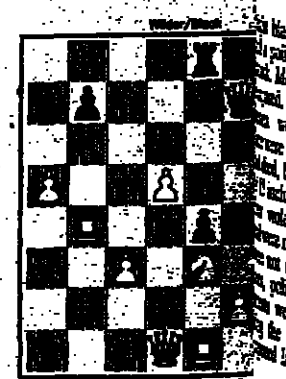
Wilder began the tournament with his victory over Ermenkov. In playing 3 N-B3 and thus allowing 3... P-K4, Ermenkov hoped to exploit the pocket left at Black's O4 square. Naturally, after 4 B-B4, B-K3, the exchange with 5 Bx7, PxB would have defeated this objective.

After 8 N-Q2, it would have been wrong to aim for a quick resolution of the position by 8... NxBP; 9 BxKB, NxB; 10 BxQ, NxB; 11 B-K7, R-K1; 12 BxB, PxB (12 RxB; 13 B-Q5, BxN; 14 P-QR4—followed by 15 RxB—traps a piece); 13 BxB, NxBP; 14 P-QR4 because Black's Bx-filing knight could not have been saved. However, as Wilder was about to show, the Black position was entirely adequate without extraordinary measures.

After 11... N-K2, Ermenkov could not seize control over his Q5 square with 12N-K3 because 12... B-N4 would have enabled Black to obtain a comfortable liquidation.

While Wilder mobilized for a king-side attack at moves 15-18—increasing his field of action with 19... P-K3—Ermenkov set up pressure against the backward QNP by 21 P-QN4, PxB; 22 RxBP.

On 22... Q-KB2, the pseudo-sacrifice with 23 NxB would have conceded Black a slight ending advantage by 22... R-KN1; 24 QxB.



Position after 24 moves.

RxB; 25 Q-N4, RxB; RxB; 27 QxR.

Had Ermenkov tried with 24 P-N3, he would have trouble with 24... RxB; 25 RxB; 26 Q-N4, RxB; 27 QxR; 28 KxB; 29 RxB; 30 RxB; 31 K-B1, Q-K2, R-N7mate.

White's decision to play 25 K-B1 did not hinder the mounting command against king with 25... B-N6; R-KB1. Here, 27 R-K1 have been cracked by R-R3; 28 K-K1, R-R3; P-K6!

Ermenkov's alternative N-N4, P-R4; 28 K-N1; 29 RxB; 30 RxB; 31 RxB; 32 RxB; 33 RxB; 34 RxB; 35 RxB; 36 RxB; 37 RxB; 38 RxB; 39 RxB; 40 RxB; 41 RxB; 42 RxB; 43 RxB; 44 RxB; 45 RxB; 46 RxB; 47 RxB; 48 RxB; 49 RxB; 50 RxB; 51 RxB; 52 RxB; 53 RxB; 54 RxB; 55 RxB; 56 RxB; 57 RxB; 58 RxB; 59 RxB; 60 RxB; 61 RxB; 62 RxB; 63 RxB; 64 RxB; 65 RxB; 66 RxB; 67 RxB; 68 RxB; 69 RxB; 70 RxB; 71 RxB; 72 RxB; 73 RxB; 74 RxB; 75 RxB; 76 RxB; 77 RxB; 78 RxB; 79 RxB; 80 RxB; 81 RxB; 82 RxB; 83 RxB; 84 RxB; 85 RxB; 86 RxB; 87 RxB; 88 RxB; 89 RxB; 90 RxB; 91 RxB; 92 RxB; 93 RxB; 94 RxB; 95 RxB; 96 RxB; 97 RxB; 98 RxB; 99 RxB; 100 RxB.